

COPY-
Application

Lebanon
Surgery Ctr.

CN1302-003

1. **Name of Facility, Agency, or Institution**

2013 FEB 14 PM 2 53

Surgery Center of Lebanon

Name

unaddressed site located on the east side of Blair Lane, approximately 200 yards south of intersection of Blair Lane and Monument Lane

Street or Route

Lebanon

City

TN

State

Wilson

County

37087

Zip Code

2. **Contact Person Available for Responses to Questions**

Keith Bolton

Name

CEO

Title

Specialty Surgery Centers of America, Inc.

Company Name

9206 Concord Road

Street or Route

sscakeith@bellsouth.net

Email address

Brentwood TN

City State

37027

Zip Code

CEO of Management Entity

Association with Owner

931/801-2558

Phone Number

615/371-6778

Fax Number

3. **Owner of the Facility, Agency or Institution**

Lebanon Healthcare Partners, LLC

Name

102 Hartman Drive, Suite G

Street or Route

Lebanon

City

TN

State

Phone Number

Wilson

County

37087

Zip Code

4. **Type of Ownership of Control (Check One)**

A. Sole Proprietorship

B. Partnership

C. Limited Partnership

D. Corporation (For Profit)

E. Corporation (Not-for-Profit)

F. Government (State of TN or Political Subdivision)

G. Joint Venture

H. Limited Liability Company

I. Other (Specify)

X

PUT ALL ATTACHMENTS AT THE BACK OF THE APPLICATION IN ORDER AND REFERENCE THE APPLICABLE ITEM NUMBER ON ALL ATTACHMENTS.

Response: Please see organizational documents included as Attachment A-4.

5. **Name of Management/Operating Entity (If Applicable)**

Specialty Surgery Centers of America, Inc.

Name

9206 Concord Road

Street or Route

Brentwood

City

TN

State

Williamson

County

37027

Zip Code

2013 FEB 14 PM 2 53

**PUT ALL ATTACHMENTS AT THE END OF THE APPLICATION IN ORDER AND
REFERENCE THE APPLICABLE ITEM NUMBER ON ALL ATTACHMENTS.**

6. **Legal Interest in the Site of the Institution (Check One)**

A. Ownership

B. Option to Purchase

C. Lease of 5 Years

D. Option to Lease

E. Other (Specify)

X

**PUT ALL ATTACHMENTS AT THE END OF THE APPLICATION IN ORDER AND
REFERENCE THE APPLICABLE ITEM NUMBER ON ALL ATTACHMENTS.**

Response: Please see corporate documents attached as Attachment A-6.

7. **Type of Institution (Check as appropriate--more than one response may apply)**

A. Hospital (Specify)

B. Ambulatory Surgical Treatment
Center (ASTC), Multi-Specialty

C. ASTC, Single Specialty

D. Home Health Agency

E. Hospice

F. Mental Health Hospital

G. Mental Health Residential
Treatment Facility

H. Mental Retardation Institutional
Habilitation Facility (ICF/MR)

I. Nursing Home

J. Outpatient Diagnostic Center

K. Recuperation Center

L. Rehabilitation Facility

M. Residential Hospice

N. Non-Residential Methadone
Facility

O. Birthing Center

P. Other Outpatient Facility
(Specify)

Q. Other (Specify)

X

8. **Purpose of Review (Check) as appropriate--more than one response may apply)**

A. New Institution

B. Replacement/Existing Facility

C. Modification/Existing Facility

D. Initiation of Health Care
Service as defined in
TCA § 68-11-1607(4)

E. (Specify)

F. Discontinuance of OB Services

G. Acquisition of Equipment

H. Change in Bed Complement

[Please note the type of change
by underlining the appropriate
response: Increase, Decrease,
Designation, Distribution,
Conversion, Relocation]

I. Change of Location

J. Other (Specify)

X

X

9. **Bed Complement Data** N/A

Please indicate current and proposed distribution and certification of facility beds.

	Current Beds Licensed	*CON	Staffed Beds	Beds Proposed	TOTAL Beds at Completion
A. Medical					
B. Surgical					
C. Long-Term Care Hospital					
D. Obstetrical					
E. ICU/CCU					
F. Neonatal					
G. Pediatric					
H. Adult Psychiatric					
I. Geriatric Psychiatric					
J. Child/Adolescent Psychiatric					
K. Rehabilitation					
L. Nursing Facility (non-Medicaid Certified)					
M. Nursing Facility Level 1 (Medicaid only)					
N. Nursing Facility Level 2 (Medicare only)					
O. Nursing Facility Level 2 (dually certified Medicaid/Medicare)					
P. ICF/MR					
Q. Adult Chemical Dependency					
R. Child and Adolescent Chemical Dependency					
S. Swing Beds					
T. Mental Health Residential Treatment					
U. Residential Hospice					
TOTAL					

*CON-Beds approved but not yet in service

10. **Medicare Provider Number** _____ To be applied for.
Certification Type _____

11. **Medicaid Provider Number** _____ To be applied for.
Certification Type _____

12. If this is a new facility, will certification be sought for Medicare and/or Medicaid? Yes

13. **Identify all TennCare Managed Care Organizations/Behavioral Health Organizations (MCOs/BHOs) operating in the proposed service area. Will this project involve the treatment of TennCare participants? Yes** If the response to this item is yes, please identify all MCOs/BHOs with which the applicant has contracted or plans to contract. The applicant plans to contract with all area MCOs.

Response: The three TennCare MCO's operating in the proposed service area are AmeriGroup, United Healthcare and TennCare Select. All current physicians associated with the project are contracted providers to each of these plans. Specialty Surgery Centers

of America, Inc., the management company for the project, contracts with all three TennCare MCO's at its other center in Columbia, and anticipates piggybacking this surgery centers onto its other contracts.

Discuss any out-of-network relationships in place with MCOs/BHOs in the area. NA

NOTE: Section B is intended to give the applicant an opportunity to describe the project and to discuss the need that the applicant sees for the project. Section C addresses how the project relates to the Certificate of Need criteria of Need, Economic Feasibility, and the Contribution to the Orderly Development of Health Care. Discussions on how the application relates to the criteria should not take place in this section unless otherwise specified.

SECTION B: PROJECT DESCRIPTION

Please answer all questions on 8 1/2" x 11" white paper, clearly typed and spaced, identified correctly and in the correct sequence. In answering, please type the question and the response. All exhibits and tables must be attached to the end of the application in correct sequence identifying the questions(s) to which they refer. If a particular question does not apply to your project, indicate "Not Applicable (NA)" after that question.

- I. Provide a brief executive summary of the project not to exceed two pages. Topics to be included in the executive summary are a brief description of proposed services and equipment, ownership structure, service area, need, existing resources, project cost, funding, financial feasibility and staffing.

Response: The need for this CON application for the relocation of a previously-approved CON for the establishment of a multi-specialty ambulatory surgical treatment center ("ASTC") in Wilson County is clear from the history of this project, as well as that of other ASTC CON projects in Wilson County. The need for the establishment of this multi-specialty ASTC in Wilson County, with three operating rooms and a procedure room is clear.

In 2007, University Medical Center, the hospital located in Lebanon, Tennessee, with the support of its medical staff, filed a Certificate of Need application to relocate and expand its very limited, existing one operating room, one procedure room ASTC with a three operating room, two procedure room ASTC on its campus to be joint ventured with its physicians. Construction was to have begun in March 2008, with the project being completed January 1, 2009. Sometime in between, UMC changed business plans, and tried to complete a joint venture of the entire hospital. Investors in the surgery center syndication had their checks returned. The CON for this joint ASTC, CN0702-011, expired on July 1, 2010.

After the involved physicians were refunded their money from the ASTC syndication, several of them started exploring the options for meeting the proven need for an establishment of a multi-specialty freestanding ASTC service area. A CON, CN0906-036, for an ASTC located near the Hartmann Drive and I-40 intersection was granted by the HSDA to the applicant, Lebanon Healthcare Partners, LLC, on April 28, 2010. This CON was then appealed by the local hospital, University Medical Center. The appeal was dismissed early in 2011. The applicant then attempted to carry out the project, but the

developers of the proposed building which was to house the project ran into financial difficulties. Faced with the history of these difficulties at the original CN0906-036 site, the applicant has simultaneously asked for a six-month extension of CN0906-036, and filed this CON application to relocate this ASTC and to establish this ASTC on Blair Lane in Lebanon. The applicant proposes to build the Surgery Center of Lebanon, a three operating room, one procedure room multi-specialty Medicare-certified ambulatory surgery treatment center. The surgery center will be a venture comprised of an LLC whose members are local physicians and Brentwood, Tennessee-based Specialty Surgery Centers of America, Inc.

The service area for this project includes Wilson, Macon, and Trousdale Counties, based on the patient origin for the physicians associated with the proposed ASTC. The population for this service has continued to grow since 2010. Specialties to initially be represented include orthopedics, pain management, ENT, general surgery and plastic surgery.

Currently, there are three single specialty surgery centers in the service area, including the Wilson Eye Surgery Center (ophthalmology), Lebanon Endoscopy Center (GI), and Provident Surgery Center (orthopedics and pain management). In the three-county service area for 2011, reporting operating rooms averaged 999 procedures per room or approximately 25% above the *Guidelines for Growth* capacity standard, according to the Joint Annual Reports filed for these providers.

The Surgery Center of Lebanon is planned to be a 9,300 square foot facility. It will include 12 pre-op and recovery beds, and will have three (3) operating rooms, and one (1) procedure room. Located in a single-story building, it will be easily accessible to ambulatory and wheelchair dependent patients. Its geographic location, on the east side of Blair Lane in Lebanon, Tennessee, approximately one-quarter mile south of the intersection of Blair Lane and U.S. Highway 70 in Lebanon, makes it easily accessible to the public. The total cost of the project is estimated to be approximately \$2,207,500. The ASTC is expected to be completed approximately fifteen months after receiving approval.

The project is projected to perform 2,405 procedures in its first year, and 3,650 in its second. The applicant anticipates staffing of six RNs, four scrub techs and three to four LPNs. The physicians involved with the project and their surgery center management company have adequate capital resources to accomplish this project.

In summary, this project will meet a market need for outpatient surgery services that is not being met by current providers. By establishing a multi-specialty, free-standing ASTC, this project will meet a need that the HSDA has repeatedly found to exist for such a provider in Wilson County. There are currently no viable free-standing surgery centers available without limitations to these physicians in the service area. The utilization of existing facilities providing outpatient surgery is significantly greater than the standard set forth in the *Guidelines for Growth*. The establishment of this much needed ASTC will contribute to the orderly development of healthcare in the service area by providing cost-effective services in the least restrictive setting. The project is financial feasible. Its costs compare favorably to other recently approved ASTCs and the applicant expects to have a positive cash flow in year one of operations.

- II. Provide a detailed narrative of the project by addressing the following items as they relate to the proposal.

- A. Describe the construction, modification and/or renovation of the facility (exclusive of major medical equipment covered by T.C.A. § 68-11-1601 et seq.) including square footage, major operational areas, room configuration, etc. Applicants with hospital projects (construction cost in excess of \$5 million) and other facility projects (construction cost in excess of \$2 million) should complete the Square Footage and Cost per Square Footage Chart. Utilizing the attached Chart, applicants with hospital projects should complete Parts A.-E. by identifying as applicable nursing units, ancillary areas, and support areas affected by this project. Provide the location of the unit/service within the existing facility along with current square footage, where, if any, the unit/service will relocate temporarily during construction and renovation, and then the location of the unit/service with proposed square footage. The total cost per square foot should provide a breakout between new construction and renovation cost per square foot. Other facility projects need only complete Parts B.-E. Please also discuss and justify the cost per square foot for this project.

If the project involves none of the above, describe the development of the proposal.

Response: Surgery Center of Lebanon is expected to be a 9,300 square foot state of the art multi specialty ambulatory surgery treatment center. It will be a new facility and result in the initiation of new services in the service area. It will have three Medicare certified operating rooms, one procedure room, and 12 pre and post-op beds. It will be a newly built, free standing surgery center located on an undeveloped property located at an unaddressed site located on the east side of Blair Lane, Lebanon, Wilson County, Tennessee. Some of the partners in Lebanon Healthcare Partners will develop and own the property (1.6 acres) and develop the facility (approximately 9300 sf) by investing in a related company, SSCA Real Estate Investors of Lebanon LLC. The Surgery Center will lease the space from the SSCA Real Estate Investors on a five year lease with four options to extend the lease another 5 years. All of the construction costs for the facility will be the responsibility of the landlord.

- B. Identify the number and type of beds increased, decreased, converted, relocated, designated, and/or redistributed by this application. Describe the reasons for change in bed allocations and describe the impact the bed change will have on the existing services.

Response: Lebanon Healthcare Partners has already received a Certificate of Need (CN0906-036) to develop a 3 OR, 1 Procedure Room ASTC at another site. It seeks to relocate the establishment of this ASTC to the site proposed herein. The need for the establishment of such a free-standing, multi-specialty ASTC in Wilson County is clear. This CON project will accomplish the establishment of this long-needed ASTC.

C. As the applicant, describe your need to provide the following health care services (if applicable to this application):

1. Adult Psychiatric Services
2. Alcohol and Drug Treatment for Adolescents (exceeding 28 days)
3. Birthing Center
4. Burn Units
5. Cardiac Catheterization Services
6. Child and Adolescent Psychiatric Services
7. Extracorporeal Lithotripsy
8. Home Health Services
9. Hospice Services
10. Residential Hospice
11. ICF/MR Services
12. Long-term Care Services
13. Magnetic Resonance Imaging (MRI)
14. Mental Health Residential Treatment
15. Neonatal Intensive Care Unit
16. Non-Residential Methadone Treatment Centers
17. Open Heart Surgery
18. Positron Emission Tomography
19. Radiation Therapy/Linear Accelerator
20. Rehabilitation Services
21. Swing Beds

Response: Not applicable.

D. Describe the need to change location or replace an existing facility.

Response: This project does not involve the relocation of an existing facility; rather, it involves the relocation of a previously-approved project for the establishment of a multi-specialty ASTC in Wilson County. The original business plan for Lebanon Healthcare Partners called for the ASTC to be located inside a to-be-built medical office building near the intersection of I-40 and South Hartman Drive. The property was to be built by a third-party developer, who had acquired the property in 2007. Due to a change in the economy and a devaluation of the property, the developers were not able to complete the project, necessitating the need for the applicant to seek to relocate the site for the establishment of this ASTC.

E. Describe the acquisition of any item of major medical equipment (as defined by the Agency Rules and the Statute) which exceeds a cost of \$1.5 million; and/or is a magnetic resonance imaging (MRI) scanner, positron emission tomography (PET) scanner, extracorporeal lithotripter and/or linear accelerator by responding to the following:

1. For fixed-site major medical equipment (not replacing existing equipment):
 - a. Describe the new equipment, including:
 1. Total cost; (As defined by Agency Rule).
 2. Expected useful life;

3. List of clinical applications to be provided; and
 4. Documentation of FDA approval.
- b. Provide current and proposed schedules of operations.

Response: Not applicable.

2. For mobile major medical equipment:

- a. List all sites that will be served;
- b. Provide current and/or proposed schedule of operations;
- c. Provide the lease or contract cost.
- d. Provide the fair market value of the equipment; and
- e. List the owner for the equipment.

Response: Not applicable.

3. Indicate applicant's legal interest in equipment (i.e., purchase, lease, etc.) In the case of equipment purchase include a quote and/or proposal from an equipment vendor, or in the case of an equipment lease provide a draft lease or contract that at least includes the term of the lease and the anticipated lease payments.

Response: Not applicable.

III. (A) Attach a copy of the plot plan of the site on an 8 1/2" x 11" sheet of white paper which **must** include:

1. Size of site (*in acres*);
2. Location of structure on the site; and
3. Location of the proposed construction.
4. Names of streets, roads or highway that cross or border the site.

Please note that the drawings do not need to be drawn to scale. Plot plans are required for all projects.

Response: Please see attached copy of the plot plan included as Attachment B.III(A). The size of the site is approximately 1.6 acres.

- (B) 1. Describe the relationship of the site to public transportation routes, if any, and to any highway or major road developments in the area. Describe the accessibility of the proposed site to patients/clients.

Response: The site is located on the east side of Blair Lane, approximately one-quarter mile south of the intersection of Blair Lane and U.S. Highway 70 in Lebanon.

- IV. Attach a floor plan drawing for the facility which includes legible labeling of patient care rooms (noting private or semi-private), ancillary areas, equipment areas, etc. on an 8 1/2" x 11" sheet of white paper.

NOTE: **DO NOT SUBMIT BLUEPRINTS.** Simple line drawings should be submitted and need not be drawn to scale.

Response: Please see attached floor plan included as Attachment B.IV.

V. For a Home Health Agency or Hospice, identify:

1. Existing service area by County;

Response: Not applicable.

2. Proposed service area by County;

Response: Not applicable.

3. A parent or primary service provider;

Response: Not applicable.

4. Existing branches; and

Response: Not applicable.

5. Proposed branches.

Response: Not applicable.

SECTION C: GENERAL CRITERIA FOR CERTIFICATE OF NEED

In accordance with Tennessee Code Annotated § 68-11-1609(b), "no Certificate of Need shall be granted unless the action proposed in the application for such Certificate is necessary to provide needed health care in the area to be served, can be economically accomplished and maintained, and will contribute to the orderly development of health care." The three (3) criteria are further defined in Agency Rule 0720-4-.01. Further standards for guidance are provided in the state health plan (Guidelines for Growth), developed pursuant to Tennessee Code Annotated §68-11-1625.

The following questions are listed according to the three (3) criteria: (I) Need, (II) Economic Feasibility, and (III) Contribution to the Orderly Development of Health Care. Please respond to each question and provide underlying assumptions, data sources, and methodologies when appropriate. *Please type each question and its response on an 8 1/2" x 11" white paper.* All exhibits and tables must be attached to the end of the application in correct sequence identifying the question(s) to which they refer. If a question does not apply to your project, indicate "Not Applicable (NA)."

QUESTIONS **NEED**

1. Describe the relationship of this proposal toward the implementation of the State Health Plan and Tennessee's Health: Guidelines for Growth.
 - a. Please provide a response to each criterion and standard in Certificate of Need Categories that are applicable to the proposed project. Do not provide responses to General Criteria and Standards (pages 6-9) here.

Response: Please see the criteria and responses for ambulatory service treatment centers included below:

AMBULATORY SURGICAL TREATMENT CENTERS

1. The need for an ambulatory surgical treatment center shall be based upon the following assumptions:

- a. An operating room is available 250 days per year, 8 hours per day.

Response: Surgery Center of Lebanon will have three (3) operating rooms and one (1) procedure room available from 7:30 AM to 3:30 PM, Monday-Friday (except major holidays), 52 weeks per year.

- b. The average time per outpatient surgery case is 60 minutes.

Response: The average time per case is projected to be sixty (60) minutes or less.

- c. The average time for clean up and preparation between outpatient surgery cases is 30 minutes.

Response: The average time for clean up and preparation between cases is expected to be thirty (30) minutes or less.

- d. The capacity of a dedicated, outpatient, general-purpose operating room is 80% of full capacity. That equates to 800 cases per year.

Response: The applicant anticipates performing 601 cases per room the first year, increasing to over 900 cases per room the second year.

- e. Unstaffed operating rooms are considered available for ambulatory surgery and are to be included in the inventory and in the measure of capacity.

Response: All operating rooms are considered available and included in the inventory.

2. "Service Area" shall mean the county or counties represented by the applicant as the reasonable area to which the facility intends to provide services and/or in which the majority of its service recipients reside.

Response: The service area of this project is Wilson, Trousdale, and Macon counties. These counties represent greater than 75% of the origin of the project's patients.

3. The majority of the population of a service area for an ambulatory surgical treatment center should reside within 30 minutes travel time to the facility.

Response: The majority of the population in this service area will reside within 30 minutes travel time to the facility. Our location near U.S. Highway 70 in Lebanon will make access for the population in the service area easy.

4. All applicants should demonstrate the ability to perform a minimum of 800 operations and/or procedures per year per operating room and/or procedure room. This assumes 250 days x 4 surgeries/procedures x .80.

Response: Surgery Center of Lebanon is expected to perform 385 procedures per room in year 1 and 600 procedures per room in year 2.

5. A certificate of need (CON) proposal to establish a new ambulatory surgical treatment center or to expand the existing services of an ambulatory surgical treatment center shall not be approved unless the existing ambulatory surgical services within the applicant's service area or within the applicant's facility are demonstrated to be currently utilized at 80% of service capacity. Notwithstanding the 80% need standard, the Health Facilities Commission may consider proposals for additional facilities or expanded services within an existing facility under the following conditions: proposals for facilities offering limited-specialty type programs or proposals for facilities where accessibility to surgical services is limited.

Response: The facilities in the service area report performing 999 cases per room on average in 2011, or 125% of the service capacity specified by the current state health plan.

6. A CON proposal to establish an ambulatory surgical treatment center or to extend existing services of an ambulatory surgical treatment must specify the number of projected surgical operating rooms to be designated for ambulatory surgical services.

Response: Surgery Center of Lebanon will have three operating rooms and one procedure room.

7. A CON proposal to establish an ambulatory surgical treatment center or to expand existing services of an ambulatory surgical treatment center must project patient utilization for each of the first eight quarters following the completion of the proposed project. All assumptions, including the specific methodology by which utilization is projected, must be clearly stated.

Response: Projected utilization for the first eight quarters are:

Q 1	410
Q 2	540
Q 3	670
Q 4	785
Q 5	850
Q 6	900
Q 7	950

- b. Applications that include a Change of Site for a health care institution, provide a response to General Criterion and Standards (4)(a-c)

Response: The application does not involve the change of site for an existing healthcare institution.

2. Describe the relationship of this project to the applicant facility's long-range development plans, if any.

Response: The applicant was formed for the purpose of establishing an ambulatory surgery treatment center.

3. Identify the proposed service area and justify the reasonableness of that proposed area. Submit a county level map including the State of Tennessee clearly marked to reflect the service area. **Please submit the map on 8 1/2" x 11" sheet of white paper marked only with ink detectable by a standard photocopier (i.e., no highlighters, pencils, etc.).**

Response: Please see a map of the service area included as Attachment C-Need-3. As indicated on the map, the primary service area for this project is Wilson County, Trousdale County, and Macon County. This service area is based on the service areas of the physicians involved in the project. Approximately 54 percent of their patients are from Wilson County, 14% from Macon, and 10 from Trousdale County.

4. A. Describe the demographics of the population to be served by this proposal.

Response: Please see chart below.

Population Projections, 2009-2020

		2010	2011	2012	2013	2014	2020	Growth 2009- 2010	Growth 2010- 2020
Service Area	State	6,264,654	6,311,234	6,361,070	6,414,297	10,471,546	6,785,100	1.0%	8%
	Wilson	111,199	112,787	114,437	116,150	127,396	127,396	1.7%	15%
	Trousdale	8,154	8,215	8,287	8,359	8,443	8,942	1.2%	11%
	Macon	22,746	22,974	23,208	23,452	23,706	25,112	1.2%	10%
	Total	142,099	143,976	145,932	147,961	159,545	161,450	1.7%	15.5%

Source: Tennessee Population Projections 2000-2020, Tennessee Department of Health, Division of Health Statistics

- B. Describe the special needs of the service area population, including health disparities, the accessibility to consumers, particularly the elderly, women, racial and ethnic minorities, and low-income groups. Document how the business plans of the facility will take into consideration the special needs of the service area population.

Response: There are multiple population segments with special needs in the service area, including a high percentage of TennCare enrollees, a high percentage of non-ambulatory or semi-ambulatory patients, and many dependant on public transportation. To accommodate these patients, the Surgery Center of Lebanon will piggyback its management company's contacts with AmeriGroup, United Healthcare, and TennCare Select, providing access to the center for these patients and their physician providers; will build a one floor building; and build the facility near the intersection of U.S. Highway 70 (West Main Street) and Blair Road.

5. Describe the existing or certified services, including approved but unimplemented CONs, of similar institutions in the service area. Include utilization and/or occupancy trends for each of the most recent three years of data available for this type of project. Be certain to list each institution and its utilization and/or occupancy individually. Inpatient bed projects must include the following data: admissions or discharges, patient days, and occupancy. Other projects should use the most appropriate measures, e.g., cases, procedures, visits, admissions, etc.

Response: The existing certified services in the area include three single specialty surgery centers (one ophthalmology, one orthopaedic/pain management, and one GI), an outdated, dilapidated, seldom used hospital owned (one OR and one procedure room) surgery center, a hospital HOPD, and two hospitals providing outpatient surgery services.

One of the hospitals, Macon County General Hospital has one operating room that does both inpatient and outpatient surgery. There are no multi-specialty stand alone surgery centers in the service area that have properly sized operating rooms and facilities.

Please see the chart below which shows reported utilization of these existing facilities in the primary and secondary service areas, according to the filed JARs of these facilities.

Reported Outpatient Surgery Utilization

<u>County</u>	<u>Facility</u>	<u>OR/PR</u>	<u>2009 Proc.</u>	<u>2010 Proc.</u>	<u>2011 Proc.</u>	<u>Procedures per room in 2011</u>
Wilson	Lebanon Endoscopy Center ¹	2	2827	3302	2767	1383.5
Wilson	Wilson County Eye Surgery Center ²	2	3396	5428	1873	936.5
Wilson	Lebanon Surgical Center ³	2	501	199	97	47.5
Wilson	University Medical Center	4	5287	5646	5518	1379.5
Macon	Macon County General Hospital	1	253	352	733	733
Trousdale	Trousdale Medical Center ⁴	0	167	22	0	0
	Total	11	12431	14949	10988	999

Source: Tennessee Department of Health, Office of Health Statistics, Joint Annual Reports.

¹Limited to endoscopy. Lebanon Endoscopy licensed 4/23/09.

²Limited to ophthalmology.

³Affiliated with University Medical Center.

⁴Formerly utilized a single room as both an operating room and a procedure room, until 2011.

Source: 2011 JAR

In 2007, CON #0702-016 was approved for University Medical Center to build an ASTC with three ORs and two procedure rooms for \$8.6 million. This CON expired on July 1, 2010, according to HSDA records. Originally, this was described as a multi specialty surgery center to be joint ventured with local physicians. Early in 2009, these plans were scrapped, and the hospital instead attempted to joint venture the entire hospital with its medical staff. When this did not fully develop, the hospital filed a request for an extension of the original project with the HSDA. However, this CON expired, as noted above, in July 2010. UMC then decommissioned four operating rooms in the hospital and relocated them to a new hospital outpatient department constructed in the hospital parking lot. This project did not change the capacity of outpatient operating rooms in the service area.

6. Provide applicable utilization and/or occupancy statistics for your institution for each of the past three (3) years and the projected annual utilization for each of the two (2) years following completion of the project. Additionally, provide the details regarding the methodology used to project utilization. The methodology **must include** detailed calculations or documentation from referral sources, and identification of all assumptions.

Response: This project will be a new facility. Thus, it has no historical utilization. The applicant projects that it will experience 2,405 procedures in year 1 of operations, and 3,650 procedures in year 2 of operations.

ECONOMIC FEASIBILITY

1. Provide the cost of the project by completing the Project Costs Chart on the following page. Justify the cost of the project.
 - All projects should have a project cost of at least \$3,000 on Line F. (Minimum CON Filing Fee). CON filing fee should be calculated from Line D. (See Application Instructions for Filing Fee)
 - The cost of any lease should be based on fair market value or the total amount of the lease payments over the initial term of the lease, whichever is greater.
 - The cost for fixed and moveable equipment includes, but is not necessarily limited to, maintenance agreements covering the expected useful life of the equipment; federal, state, and local taxes and other government assessments; and installation charges, excluding capital expenditures for physical plant renovation or in-wall shielding, which should be included under construction costs or incorporated in a facility lease.
 - For projects that include new construction, modification, and/or renovation; **documentation must be** provided from a contractor and/or architect that support the estimated construction costs.

Response: Please see the project costs chart on the following page. A letter from Steve Powell, Principal, Powell Design Studio that supports the estimated construction costs is included as Attachment G Economic Feasibility-1.

PROJECT COSTS CHART

2013 FEB 14 PM 2 53

A.	Construction and equipment acquired by purchase:	
1.	Architectural and Engineering Fees	\$75,000
2.	Legal, Administrative (Excluding CON Filing Fee), Consultant Fees	\$25,000
3.	Acquisition of Site	
4.	Preparation of Site	
5.	Construction Costs	
6.	Contingency Fund	
7.	Fixed Equipment (Not included in Construction Contract)	
8.	Moveable Equipment (List all equipment over \$50,000)	\$1,125,000
9.	Other (Specify) _____	
B.	Acquisition by gift, donation, or lease:	
1.	Facility (inclusive of building and land)	930,000
2.	Building only	
3.	Land only	
4.	Equipment (Specify)	
5.	Other (Specify) _____	
C.	Financing Costs and Fees:	
1.	Interim Financing	
2.	Underwriting Costs	
3.	Reserve for One Year's Debt Service	52,500
4.	Other (Specify) _____	
D.	Estimated Project Cost (A+B+C)	2,207,500
E.	CON Filing Fee	4,967
F.	Total Estimated Project Cost (D+E)	
	TOTAL	\$2,212,467

2. Identify the funding sources for this project.

a. Please check the applicable item(s) below and briefly summarize how the project will be financed. (Documentation for the type of funding MUST be inserted at the end of the application, in the correct alpha/numeric order and identified as Attachment C, Economic Feasibility-2.)

- ☒ A. Commercial loan--Letter from lending institution or guarantor stating favorable initial contact, proposed loan amount, expected interest rates, anticipated term of the loan, and any restrictions or conditions;
- ☐ B. Tax-exempt bonds--Copy of preliminary resolution or a letter from the issuing authority stating favorable initial contact and a conditional agreement from an underwriter or investment banker to proceed with the issuance;
- ☐ C. General obligation bonds—Copy of resolution from issuing authority or minutes from the appropriate meeting.
- ☐ D. Grants--Notification of intent form for grant application or notice of grant award; or
- ☐ E. Cash Reserves--Appropriate documentation from Chief Financial Officer.
- ☐ F. Other—Identify and document funding from all other sources.

3. Discuss and document the reasonableness of the proposed project costs. If applicable, compare the cost per square foot of construction to similar projects recently approved by the Health Services and Development Agency.

Response: Although this ASTC will be leased, the projected construction costs for its builder (\$220 per square foot) compare favorably with the costs of other recently approved ASTC CONs, as set forth below.

COMPARABLE ASTC CONSTRUCTION COSTS

Facility	CON Number	Cost Per Square Foot
Plateau Surgery Center	CN0804-025	\$160
Mid-State Endoscopy Center	CN0901-004	\$175
Specialty Care	CN0810-077	\$200
McCabe Eye Surgery Center	CN0807-042	\$250

4. Complete Historical and Projected Data Charts on the following two pages--**Do not modify the Charts provided or submit Chart substitutions!** Historical Data Chart represents revenue and expense information for the last three (3) years for which complete data is available for the institution. Projected Data Chart requests information for the two (2) years following the completion of this proposal. Projected Data Chart should reflect revenue and expense projections for the **Proposal Only** (i.e., if the application is for additional beds, include anticipated revenue from the proposed beds only, not from all beds in the facility).

Response: The applicant seeks to establish a new ASTC. Thus, it has no historical utilization data. Its projected data for the first two years of operation are set forth in the attached Projected Data Chart.

5. Please identify the project's average gross charge, average deduction from operating revenue, and average net charge.

Response: The average net revenue per patient for each specialty was obtained from the company's other institutions as follows:

*Orthopaedics	\$1,500
*ENT	\$1300
*Pain	\$450
*GYN	\$940
*General Surgery	\$1100

HISTORICAL DATA CHART

Give information for the last three (3) years for which complete data are available for the facility or agency. The fiscal year begins in _____ (Month) _____, _____.

2013 FEB 14 PM 2:53
Not Applicable.

	Year _____	Year _____	Year _____
A. Utilization Data (Specify unit of measure) _____	_____	_____	_____
B. Revenue from Services to Patients			
1. Inpatient Services	\$ _____	\$ _____	\$ _____
2. Outpatient Services	_____	_____	_____
3. Emergency Services	_____	_____	_____
4. Other Operating Revenue	_____	_____	_____
(Specify) _____			
Gross Operating Revenue	\$ _____	\$ _____	\$ _____
C. Deductions for Operating Revenue			
1. Contractual Adjustments	\$ _____	\$ _____	\$ _____
2. Provision for Charity Care	_____	_____	_____
3. Provisions for Bad Debt	_____	_____	_____
Total Deductions	\$ _____	\$ _____	\$ _____
NET OPERATING REVENUE	\$ _____	\$ _____	\$ _____
D. Operating Expenses			
1. Salaries and Wages	\$ _____	\$ _____	\$ _____
2. Physician's Salaries and Wages	_____	_____	_____
3. Supplies	_____	_____	_____
4. Taxes	_____	_____	_____
5. Depreciation	_____	_____	_____
6. Rent	_____	_____	_____
7. Interest, other than Capital	_____	_____	_____
8. Other Expenses (Specify) _____	_____	_____	_____
Total Operating Expenses	\$ _____	\$ _____	\$ _____
E. Other Revenue (Expenses) – Net (Specify) _____	\$ _____	\$ _____	\$ _____
NET OPERATING INCOME (LOSS)			
F. Capital Expenditures			
1. Retirement of Principal	\$ _____	\$ _____	\$ _____
2. Interest	_____	_____	_____
Total Capital Expenditures	\$ _____	\$ _____	\$ _____
NET OPERATING INCOME (LOSS)			
LESS CAPITAL EXPENDITURES	\$ _____	\$ _____	\$ _____

PROJECTED DATA CHART

Give information for the two (2) years following the completion of this proposal. The fiscal year begins in January (Month).

2013 FEB 14 PM 2 53

	Year 1	Year 2
A. Utilization Data (Specify unit of measure) procedures	<u>2,405</u>	<u>3,650</u>
B. Revenue from Services to Patients		
1. Inpatient Services	\$ <u> </u>	\$ <u> </u>
2. Outpatient Services	<u>4,388,391</u>	<u>6,124,673</u>
3. Emergency Services	<u> </u>	<u> </u>
4. Other Operating Revenue (Specify) <u> </u>	<u> </u>	<u> </u>
Gross Operating Revenue	<u>\$4,388,391</u>	<u>\$6,124,673</u>
C. Deductions from Gross Operating Revenue		
1. Contractual Adjustments	<u>\$1,294,575</u>	<u>\$1,806,778</u>
2. Provision for Charity Care	<u>88,000</u>	<u>122,500</u>
3. Provisions for Bad Debt	<u>100,000</u>	<u>125,000</u>
Total Deductions	<u>\$1,482,575</u>	<u>\$2,054,278</u>
NET OPERATING REVENUE	<u>\$2,905,816</u>	<u>\$4,070,395</u>
D. Operating Expenses		
1. Salaries and Wages	<u>812,890</u>	<u>1,233,700</u>
2. Physician's Salaries and Wages	<u> </u>	<u> </u>
3. Supplies	<u>670,000</u>	<u>1,100,000</u>
4. Taxes	<u> </u>	<u> </u>
5. Depreciation	<u>160,715</u>	<u>160,715</u>
6. Rent	<u>186,000</u>	<u>186,000</u>
7. Interest, other than Capital	<u> </u>	<u> </u>
8. Management Fees:		
a. Fees to Affiliates	<u>174,350</u>	<u>244,224</u>
b. Fees to Non-Affiliates	<u> </u>	<u> </u>
9. Other Expenses (Specify) <u>Laundry, utilities, insurance, maintenance</u>	<u>428,000</u>	<u>430,000</u>
Total Operating Expenses	<u>\$2,431,955</u>	<u>\$3,354,639</u>
E. Other Revenue (Expenses) -- Net (Specify)	\$ <u> </u>	\$ <u> </u>
NET OPERATING INCOME (LOSS)	<u>\$473,861</u>	<u>\$715,756</u>
F. Capital Expenditures		
1. Retirement of Principal	<u>\$69,222</u>	<u>\$142,814</u>
2. Interest	<u>94,205</u>	<u>45,211</u>
Total Capital Expenditures	<u>\$163,247</u>	<u>\$188,025</u>
NET OPERATING INCOME (LOSS)		
LESS CAPITAL EXPENDITURES	<u>\$310,614</u>	<u>\$527,731</u>

6. A. Please provide the current and proposed charge schedules for the proposal. Discuss any adjustment to current charges that will result from the implementation of the proposal. Additionally, describe the anticipated revenue from the proposed project and the impact on existing patient charges.

Response: Projected charges for the anticipated top five procedures are as follows:

*Knee arthroscopy:	\$3515
*Ear Tubes	\$4560
Tonsil	\$2796
*Shoulder arthroscopy	\$3515
*Lap Tubal	\$3895

- B. Compare the proposed charges to those of similar facilities in the service area/adjoining service areas, or to proposed charges of projects recently approved by the Health Services and Development Agency. If applicable, compare the proposed charges of the project to the current Medicare allowable fee schedule by common procedure terminology (CPT) code(s).

Response: The introduction of a multi specialty ambulatory surgery center to the community will result in significant savings to all payers and all patients. The introduction of these services to the service area will have a positive impact on reducing the cost of healthcare. Currently Medicare reimbursement for procedures performed at free-standing ASTCs is more than 40% lower than reimbursement for the same procedures in hospitals.

7. Discuss how projected utilization rates will be sufficient to maintain cost-effectiveness.

Response: Unlike other projects, this is a project that was designed from the ground up. With flexible staffing and overhead, the project should achieve a positive cash flow in the first year of operations.

8. Discuss how financial viability will be ensured within two years; and demonstrate the availability of sufficient cash flow until financial viability is achieved.

Response: Lebanon Healthcare Partners, LLC will raise some \$250,000 in equity for initial start up and capitalization to reach break even. Although additional capital calls are not anticipated, a capital call on LLC members could be used on a worst case basis to continue to fund losses. It will also have access to a revolving credit line, and a term loan on its equipment.

9. Discuss the project's participation in state and federal revenue programs including a description of the extent to which Medicare, TennCare/Medicaid, and medically indigent patients will be served by the project. In addition, report the estimated dollar amount of revenue and percentage of total project revenue anticipated from each of TennCare, Medicare, or other state and federal sources for the proposal's first year of operation.

Response: Surgery Center of Lebanon anticipates participating in Medicare and TennCare. All physicians in the project are TennCare providers, and all of Specialty Surgery Centers of America (the management company) surgery centers have contracted with all three TennCare MCOs.

Medicare utilization is expected to be 35% of all patient visits, is expected to produce 19% of total actual revenue in the first year, or approximately \$552,105. TennCare utilization is expected to be 15% of all patient visits, is expected to produce 10.1% of actual revenues, or approximately \$293,500.

10. Provide copies of the balance sheet and income statement from the most recent reporting period of the institution and the most recent audited financial statements with accompanying notes, if applicable. For new projects, provide financial information for the corporation, partnership, or principal parties involved with the project. Copies must be inserted at the end of the application, in the correct alpha-numeric order and labeled as Attachment C, Economic Feasibility-10.

Response: This is a relatively new LLC with limited prior operations and no operating income to date.

11. Describe all alternatives to this project which were considered and discuss the advantages and disadvantages of each alternative including but not limited to:
 - a. A discussion regarding the availability of less costly, more effective, and/or more efficient alternative methods of providing the benefits intended by the proposal. If development of such alternatives is not practicable, the applicant should justify why not; including reasons as to why they were rejected.

Response: Establishing a new, state of the art, multi specialty surgery center is the most cost effective method of providing services to patients in this service area. The CON previously approved withstood an appeal and a recession. Other than not completing the project, no alternatives to relocation are economically available. The possibility of acquiring an existing single-specialty center and converting it, via CON, to multi-specialty status was considered, but the costs were prohibitive and a CON would still be required.

- b. The applicant should document that consideration has been given to alternatives to new construction, e.g., modernization or sharing arrangements. It should be documented that superior alternatives have been implemented to the maximum extent practicable.

Response: There are no other multi specialty surgery centers in the service area that have adequate facilities. The cost of this relocation project compares favorably to the cost of this project as originally approved.

(III.) CONTRIBUTION TO THE ORDERLY DEVELOPMENT OF HEALTH CARE

1. List all existing health care providers (e.g., hospitals, nursing homes, home care organizations, etc.), managed care organizations, alliances, and/or networks with which the applicant currently has or plans to have contractual and/or working relationships, e.g., transfer agreements, contractual agreements for health services.

Response: All of the physicians involved in this project are on staff at University Medical Center, and would seek to have a transfer agreement with the hospital, as well as working arrangements for laboratory, sharing of equipment, etc.

Surgery Center of Lebanon anticipates providing in the following managed care contracts that its management company has at other centers. This includes

Medicare

BlueCross

AmeriGroup

United Healthcare

TennCare Select

Aetna

Cigna

Humana

Private Healthcare Systems

Tri-Care

Etc.

2. Describe the positive and/or negative effects of the proposal on the health care system. Please be sure to discuss any instances of duplication or competition arising from your proposal including a description of the effect the proposal will have on the utilization rates of existing providers in the service area of the project.

Response: The Surgery Center of Lebanon will have a positive impact on the medical community for multiple reasons. First, there is currently a need for 3-5 additional operating rooms in the service area. This was initially evidence by the approval by the HSDA of University Medical Center's CON in July, 2007 as well as the prior CON for this project at its original site. Since then, only a small orthopedic only center has been developed, while population in the service area has continued to grow.

Secondly, there is a need for a free standing multi specialty surgery center that will provide needed cost competition to the market. Surgery Center of Lebanon will charge significantly less than local hospitals for the same procedures, and will be reimbursed significantly less, achieving significant savings for government payors, insurers, and patients.

Finally, this project will bring surgical services into a more accessible environment for all patients. Additional capacity will allow better scheduling of patients. Moreover, the location of this facility near Highway 70 in Lebanon will provide improved transportation access for outpatient surgery patients.

3. Provide the current and/or anticipated staffing pattern for all employees providing patient care for the project. This can be reported using FTEs for these positions. Additionally, please compare the clinical staff salaries in the proposal to prevailing wage patterns in the service area as published by the Tennessee Department of Labor & Workforce Development and/or other documented sources.

Response: Surgery Center of Lebanon anticipates staffing the center initially with 6 registered nurses, 4 scrub techs, and 3-4 LPNs. Total FTEs are expected to be 18. Base rates for Registered Nurses is expected to be \$28-\$33 per hour. According to the website of the Tennessee Department of Labor and Workforce Development in the Metro Nashville MSA, which includes this service area, the RN median wage was \$28.90 per hour in 2012. The TDOLWFD website reports 2012 median wages for "Healthcare Support Workers, All Other" as \$14.60 per hour.

4. Discuss the availability of and accessibility to human resources required by the proposal, including adequate professional staff, as per the Department of Health, the Department of Mental Health and Developmental Disabilities, and/or the Division of Mental Retardation Services licensing requirements.

Response: The applicant does not anticipate any difficulty in finding adequate staffing for the facility.

5. Verify that the applicant has reviewed and understands all licensing certification as required by the State of Tennessee for medical/clinical staff. These include, without limitation, regulations concerning physician supervision, credentialing, admission privileges, quality assurance policies and programs, utilization review *policies and programs, record keeping, and staff education.*

Response: The Applicant has reviewed and understands all certifications as required by the State of Tennessee for medical/clinical staff.

6. Discuss your health care institution's participation in the training of students in the areas of medicine, nursing, social work, etc. (e.g., internships, residencies, etc.).

Response: The Center's Management Company has participated in training of scrub techs and nursing students in the past, and anticipates doing so in the future..

7. (a) Please verify, as applicable, that the applicant has reviewed and understands the licensure requirements of the Department of Health, the Department of Mental Health and Developmental Disabilities, the Division of Mental Retardation Services, and/or any applicable Medicare requirements.

Response: The applicant has reviewed and understands the licensure requirements of the Department of Health and any applicable Medicare requirements.

- (b) Provide the name of the entity from which the applicant has received or will receive licensure, certification, and/or accreditation.

Licensure:

Response: The Tennessee Department of Health, Division of Licensing and Certification would issue our license. The applicant will seek early accreditation with the Accreditation Association for Ambulatory Healthcare (AAAHC).

If an existing institution, please describe the current standing with any licensing, certifying, or accrediting agency. Provide a copy of the current license of the facility.

Response: Not applicable.

- (c) For existing licensed providers, document that all deficiencies (if any) cited in the last licensure certification and inspection have been addressed through an approved plan of correction. Please include a copy of the most recent licensure/certification inspection with an approved plan of correction.

Response: Not applicable.

9. Document and explain any final orders or judgments entered in any state or country by a licensing agency or court against professional licenses held by the applicant or any entities or persons with more than a 5% ownership interest in the applicant. Such information is to be provided for licenses regardless of whether such license is currently held.

Response: Not applicable.

10. Identify and explain any final civil or criminal judgments for fraud or theft against any person or entity with more than a 5% ownership interest in the project

Response: Not applicable.

11. If the proposal is approved, please discuss whether the applicant will provide the Tennessee Health Services and Development Agency and/or the reviewing agency information concerning the number of patients treated, the number and type of procedures performed, and other data as required.

Response: The applicant will provide the information as required.

PROOF OF PUBLICATION

Attach the full page of the newspaper in which the notice of intent appeared with the mast and dateline intact or submit a publication affidavit from the newspaper as proof of the publication of the letter of intent.

Response: Please see attached [affidavit of] publication showing that publication occurred in The Lebanon.

DEVELOPMENT SCHEDULE

Tennessee Code Annotated § 68-11-1609(c) provides that a Certificate of Need is valid for a period not to exceed three (3) years (for hospital projects) or two (2) years (for all other projects) from the date of its issuance and after such time shall expire; provided, that the Agency may, in granting the Certificate of Need, allow longer periods of validity for Certificates of Need for good cause shown. Subsequent to granting the Certificate of Need, the Agency may extend a Certificate of Need for a period upon application and good cause shown, accompanied by a non-refundable reasonable filing fee, as prescribed by rule. A Certificate of Need which has been extended shall expire at the end of the extended time period. The decision whether to grant such an extension is within the sole discretion of the Agency, and is not subject to review, reconsideration, or appeal.

1. Please complete the Project Completion Forecast Chart on the next page. If the project will be completed in multiple phases, please identify the anticipated completion date for each phase.
2. If the response to the preceding question *indicates that the applicant does not anticipate completing the project within the period of validity as defined in the preceding paragraph*, please state below any request for an extended schedule and document the "good cause" for such an extension.

Response: The applicant does not anticipate requesting an extension of time at this time.

Form HF0004
Revised 05/03/04
Previous Forms are obsolete

Cost of Publication

\$ 200.50

Proof of Publication

NOTIFICATION OF INTENT TO APPLY FOR A CERTIFICATE OF NEED

This is to provide official notice to the Health Services and Development Agency and all interested parties, in accordance with T.C.A. § 58-11-1601 et seq.,

and the Rules of the Health Services and Development Agency, that:

Surgery Center of Lebanon, N/A owned by Lebanon Healthcare Partners, LLC with an ownership type of limited liability company and to be managed by Specialty Surgery Centers of America, Inc. intends to file an application for a Certificate of Need for:

The relocation of an approved but unimplemented certificate of need for a multi-specialty surgery center. The proposed facility previously approved under CON CN0906-036 will be relocated from its original approved site at 101 Physicians Way, Lebanon (Wilson County), TN 37087 to a new unaddressed site located on the east side of Blair Lane in Lebanon, Wilson County, Tennessee 37087.

The new, unaddressed site is approximately one-quarter mile south of the intersection of Blair Lane and U.S. Highway 70 in Lebanon, and approximately 200 yards south of the intersection of Blair Lane and Monument Lane in Lebanon. As with the originally approved CON application, this ASTC will include three operating rooms and one procedure room, as well as requisite clinical and support space, including 12 pre-operation and post-operation bed spaces. The projected square footage for this project is approximately 9,300 square feet. The estimated project costs are approximately \$2,300,000.

The anticipated date of filing the application is: February 14, 2013.

The contact person for this project is: Keith Bolton, CEO who may be reached at: Specialty Surgery Centers of America, Inc., 5206 Concord Road, Brentwood, TN 37027, 931-801-2558.

Upon written request by interested parties, a local Fact-Finding public hearing shall be conducted. Written requests for hearing should be sent to:

Health Services and Development Agency

The Frost Building, Third Floor

161 Rosa L. Parks Boulevard

Nashville, Tennessee 37243

The published Letter of Intent must contain the following statement pursuant to T.C.A. § 58-11-1607(c)(1): (A) Any health care institution wishing to oppose a Certificate of Need application must file a written notice with the Health Services and Development Agency no later than fifteen (15) days before the regularly scheduled Health Services and Development Agency meeting at which the application is originally scheduled; and (B) Any other person wishing to oppose the application must file written objection with the Health Services and Development Agency at or prior

LEBANON DEMOCRAT

PUBLICATION CERTIFICATE

This is to certify that the legal notice hereto attached was published in *The Lebanon Democrat*, a daily newspaper published in the City of Lebanon, County of Wilson, State of Tennessee on the following dates:

Signed: Marianne Ray

Feb. 9, 2013

Subscribed and sworn to before me

on this 14 day of Feb

Commission expires: 2-3-15

PROJECT COMPLETION FORECAST CHART

2013 FEB 14 PM 2 53

Enter the Agency projected Initial Decision Date, as published in Rule 68-11-1609(c): May 22, 2013

Assuming the CON approval becomes the final agency action on that date; indicate the number of days **from the above agency decision date** to each phase of the completion forecast.

<u>Phase</u>	<u>DAYS REQUIRED</u>	<u>Anticipated Date (MONTH/YEAR)</u>
1. Architectural and engineering contract signed	<u>10</u>	<u>June 2013</u>
2. Department of Health	<u> </u>	<u> </u>
3. Construction contract signed	<u>120</u>	<u>September 2013</u>
4. Building permit secured	<u>140</u>	<u>October 2013</u>
5. Site preparation completed	<u>200</u>	<u>December 2013</u>
6. Building construction commenced	<u>240</u>	<u>February 2014</u>
7. Construction 40% complete	<u>300</u>	<u>April 2014</u>
8. Construction 80% complete	<u>360</u>	<u>June 2014</u>
9. Construction 100% complete (approved for occupancy)	<u>420</u>	<u>September 2014</u>
10. *Issuance of license	<u>460</u>	<u>October 2014</u>
11. *Initiation of service	<u>460</u>	<u>October 2014</u>
12. Final Architectural Certification of Payment	<u>460</u>	<u>October 2014</u>
13. Final Project Report Form (HF0055)	<u>470</u>	<u>November 2014</u>

* For projects that do NOT involve construction or renovation: Please complete items 10 and 11 only.

Note: If litigation occurs, the completion forecast will be adjusted at the time of the final determination to reflect the actual issue date.

A.4. - Corporate Documents



STATE OF TENNESSEE
Tre Hargett, Secretary of State
Division of Business Services
William R. Snodgrass Tower
312 Rosa L. Parks AVE, 6th FL
Nashville, TN 37243-1102

Baker Donelson Bearman Caldwell & Berkowitz
STE 800 COMMERCE CRT
211 COMMERCE ST
NASHVILLE, TN 37201

Request Type: Certified Copies
Request #: 89457

Issuance Date: 02/12/2013
Copies Requested: 1

Document Receipt

Receipt #: 911188
Filing Fee: \$20.00
Payment-Check/MO - Baker Donelson Bearman Caldwell & Berkowitz, NASHVILLE, TN \$20.00

I, Tre Hargett, Secretary of State of the State of Tennessee, do hereby certify that **LEBANON HEALTHCARE PARTNERS, LLC**, Control # 602508 was formed or qualified to do business in the State of Tennessee on 05/15/2009. **LEBANON HEALTHCARE PARTNERS, LLC** has a home jurisdiction of **TENNESSEE** and is currently in an Active status.


Tre Hargett
Secretary of State

Processed By: Nichole Hambrick

The attached document(s) was/were filed in this office on the date(s) indicated below:

<u>Reference #</u>	<u>Date Filed</u>	<u>Filing Description</u>
6537-0444	05/15/2009	Initial Filing
A0032-0899	06/03/2010	Notice of Determination
A0044-1267	08/08/2010	Dissolution/Revocation - Administrative
A0045-2244	08/17/2010	2009 Annual Report (Due 04/01/2010)
6758-0172	08/19/2010	Reinstatement
6849-1618	03/14/2011	2010 Annual Report (Due 04/01/2011)
6973-0354	12/28/2011	2011 Annual Report (Due 04/01/2012)

RECEIVED
STATE OF TENNESSEE

2009 MAY 15 AM 9:05

TRE HANCOCK
SECRETARY OF STATE

**ARTICLES OF ORGANIZATION
OF
LEBANON HEALTHCARE PARTNERS, LLC**

The undersigned person, acting as the organizer of a limited liability company under the Tennessee Revised Limited Liability Company Act, adopts the following Articles of Organization for such limited liability company:

1. The name of the limited liability company (the "LLC") is Lebanon Healthcare Partners, LLC.
2. The street address, zip code and county of the initial registered office of the LLC is: 109 North Castle Heights Avenue, Lebanon, TN 37087, Wilson County.
3. The name of the initial registered agent of the LLC, located at the registered office set forth above, is Byron M. Gill.
4. The street address, zip code and county of the principal executive office of the LLC is: 102 Hartmann Dr., Suite G PMB 151, Lebanon, TN 37087, Wilson County.
5. The LLC will be director managed.
6. The existence of the LLC will begin upon the filing of these Articles.
7. The duration of the LLC will be perpetual, unless sooner terminated pursuant to the provisions of the operating agreement of the LLC.
8. At the date and time of formation, there are five (5) members of the LLC.
9. No member of the LLC shall be an agent of the LLC solely by virtue of being a member, and no member shall have authority to act for the LLC solely by virtue of being a member. Only duly elected directors of the LLC shall act as agents.
10. To the maximum extent permitted by the provisions of T.C.A. § 48-249-115, as amended from time to time (provided, however, that if an amendment to such act limits or restricts in any way the indemnification rights permitted by law as of the date hereof, such amendment shall apply only to the extent mandated by law and only to activities of persons subject to indemnification under this paragraph which occur subsequent to the effective date of such amendment), the LLC shall indemnify and advance expenses to any person, his heirs, executors and

6537.0444

RECEIVED
STATE OF TENNESSEE
2009 MAY 15 AM 9:05
SECRETARY OF STATE

administrators, for the defense of any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative and whether formal or informal, including counsel fees actually incurred as a result of such action, suit or proceeding or any appeal thereof, and against all fines (including any excise tax assessed with respect to an employee benefit plan), judgments, penalties and amounts paid in settlement thereof, provided that such proceeding or action be instituted by reason of the fact that such person is or was a member of the LLC. Any repeal or modification of the provisions of this Paragraph 10 directly or by the LLC's adoption of an amendment to these Articles of organization that is inconsistent with the provisions of this Paragraph 10, shall not adversely affect any right or protection set forth herein existing in favor of a particular individual at the time of such repeal or modification.

11. The LLC shall have the power to expel a member. A member may be expelled at any time by consent of a majority in interest of all the members at the time of such expulsion, inclusive of the voting power of the member whose expulsion is sought.
12. No member of this LLC shall be liable to the LLC or its members for monetary damages for a breach of fiduciary duty as a member, except: (i) for any breach of the member's duty of loyalty to the LLC or its members; (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law; or (iii) under T.C.A. §48-249-307; or (iv) for any act or omission occurring prior to the effective date of these Articles.
13. Each member of the LLC shall be entitled to receive or be allocated that portion of the LLC's profits, losses, and distributions that equals the member's Percentage Interest. For purposes hereof, a member's "Percentage Interest" shall equal a fraction, the numerator of which is the agreed value (reflected in the LLC's records) of the member's contribution received and retained by the LLC, and the denominator of which is the agreed value (reflected in the LLC's records) of the aggregate amount of all members' contributions received and retained by the LLC.

This 14th day of May, 2009.


BYRON M. GILL, Organizer

6537.0445



STATE OF TENNESSEE
Tre Hargett, Secretary of State
Division of Business Services
312 Rosa L. Parks Avenue
6th Floor, William R. Snodgrass Tower
Nashville, TN 37243

BRYON M GILL

RE: LEBANON HEALTHCARE PARTNERS, LLC
109 N CASTLE
HTS S AVE
LEBANON, TN 37087

Issuance Date: June 3, 2010

RE: Notice of Determination for LEBANON HEALTHCARE PARTNERS, LLC

Control # 602508

Dear Business Entity:

Pursuant to the provisions of Sections 48-245-301 or 48-246-501 of the Tennessee Limited Liability Company Act or Sections 48-249-604 or 48-249-908 of the Tennessee Revised Limited Liability Company Act, it has been determined that the following ground(s) exist(s) for the administrative dissolution of the above limited liability company, if a Tennessee limited liability company, or the revocation of its certificate of authority, if a foreign limited liability company:

The annual report which was due on or before 04/01/2010 has not been filed. You may generate the annual report form from our website [<http://TNBear.TN.gov/AR>] and either file it electronically or mail the paper document to the Tennessee Secretary of State at the address noted on the annual report form. If you do not have access to the Internet please call us at (615) 741-2286 and we will mail you an annual report form.

If each ground for dissolution or revocation is not corrected or proven not to exist within two (2) months after the issuance date of this notice, the business entity and any associated assumed name(s) shall be administratively dissolved or may have its certificate of authority revoked, as appropriate.

If you have questions, please contact us at the number noted below.

Sincerely,

Business Services Division

Phone (615) 741-2286 * Fax (615) 741-7310 * Website: <http://tnbear.tn.gov/>

Image # A0032-0899



STATE OF TENNESSEE
Tre Hargett, Secretary of State
Division of Business Services
312 Rosa L. Parks Avenue
6th Floor, William R. Snodgrass Tower
Nashville, TN 37243

BRYON M GILL
RE: LEBANON HEALTHCARE PARTNERS, LLC
109 N CASTLE
HTS S AVE
LEBANON, TN 37087

Certificate of Administrative Dissolution

Issuance Date: August 8, 2010

RE: LEBANON HEALTHCARE PARTNERS, LLC

Control # 602508

Effective Date: 08/08/2010

Image # A0044-1267

Dear Business Entity:

Pursuant to the provisions of Sections 48-245-302 or 48-246-502 of the Tennessee Limited Liability Company Act or Sections 48-249-605 or 48-249-909 of the Tennessee Revised Limited Liability Company Act, this constitutes notice that the above limited liability company, and any associated assumed name(s) is hereby administratively dissolved, if a Tennessee limited liability company, or that its certificate of authority is revoked, if a foreign limited liability company, for the following reason(s):

For failure to file the required Annual Report.

The limited liability company or its certificate of authority may be reinstated upon the elimination of the above indicated ground(s) and the filing of an application for reinstatement. The limited liability company name must be available and otherwise satisfy the requirements of Section 48-207-101 of the Tennessee Limited Liability Act or Section 48-249-106 of the Tennessee Revised Limited Liability Company Act. The reinstatement application fee is Seventy Dollars (\$70.00). The appropriate reinstatement form can be downloaded from our website (noted below).

Tre Hargett, Secretary of State
Business Services Division



File online at: <http://TNBear.TN.gov/AR>

Status: Complete

Due on/Before: 04/01/2010

Annual Report Filing Fee Due:

\$300 minimum plus \$50 for each member over 6 to a maximum of \$3000
\$20 additional if changes are made in block 3 to the registered agent/office

This Annual Report has been successfully paid for and submitted. Your Annual Report will be reviewed by Business Services and filed within 48 hours. Please keep this report for your records.

SOS Control Number: 602508

Limited Liability Company - Domestic

Date Formed: 05/15/2009

Formation Locale: Wilson County

(1) Name and Mailing Address:

LEBANON HEALTHCARE PARTNERS, LLC
9206 CONCORD ROAD
BRENTWOOD, TN 37027 USA

(2) Principal Office Address:

9206 CONCORD ROAD
BRENTWOOD, TN 37027 USA

(3) Registered Agent (RA) and Registered Office (RO) Address: Agent Changed: No

BRYON M GILL
109 N CASTLE
HTS S AVE
LEBANON, TN 37087 USA

Image #: A0045-2244

(4) This LLC is (change if incorrect): ☒ Director Managed, ☐ Manager Managed, ☐ Member Managed,
☐ Board Managed (appropriate if formed prior to 1/1/2006 only).

If board, director, or manager managed, provide the names and business addresses, including zip codes, of the governors, directors, or managers (or their equivalent), respectively.

Name	Business Address	City, State, Zip
ROY TERRY	102 HARTMANN DR., SUITE G PMB 151	LEBANON, TN 37087

(5) Provide the names and business addresses, including zip codes, of the LLC managers (if governed by the LLC Act), or any officers (if governed by the Revised LLC Act), (or their equivalent), respectively.

Name	Business Address	City, State, Zip
ROY TERRY	102 HARTMANN DR., SUITE G PMB 151	LEBANON, TN 37087

(6) Number of members on the date the annual report is executed if there are more than six (6) members: 1
☐ This LLC is prohibited from doing business in Tennessee (check if applicable)

(7) Signature: Electronic

(8) Date: 08/16/2010 4:25 PM

(9) Type/Print Name: Byron M Gill

(10) Title: Attorney

State of Tennessee



Department of State
Corporate Filings
312 Rosa L. Parks Avenue
6th Floor, William R. Snodgrass Tower
Nashville, TN 37243

APPLICATION FOR REINSTATEMENT
FOLLOWING ADMINISTRATIVE
DISSOLUTION/REVOCATION
(LLC)

For Office Use Only

2010 AUG 19 AM 8:09

TRE HAYES, III
SECRETARY OF STATE

Pursuant to the provisions of §48-245-303 or §48-246-503 of the Tennessee Limited Liability Company Act or §48-259-606 or §48-249-910 of the Tennessee Revised Limited Liability Company Act, this application is submitted to the Tennessee Secretary of State for reinstatement.

1. The name of the Limited Liability Company is Lebanon Healthcare Partners, LLC

(Name change if applicable) _____

2. The effective date of its administrative dissolution/revocation is August 8, 2010

(must be month, day and year)

3. The ground(s) for the administrative dissolution/revocation

☐ did not exist.

☒ has/have been eliminated.

[NOTE: Please mark the applicable box]

4. The Limited Liability Company name as listed in number one (1) satisfies the name requirements of Tennessee Limited Liability Company Act or Tennessee Revised Limited Liability Company Act, as applicable.

5. The Limited Liability Company control number assigned by the Secretary of State, if known is
602508

8/13/10
Signature Date

Attorney for company
Signer's Capacity

Lebanon Healthcare Partners, LLC

Name of Limited Liability Company

[Signature]
Signature

Byron M. Gili
Name (typed or printed)



Tennessee Limited Liability Company Annual Report Form

AR Filing #: 02537926

File online at: <http://TNBear.TN.gov/AR>

Status: Unsubmitted

Due on/Before: 04/01/2011

Reporting Year: 2010

Please return completed form to:

Tennessee Secretary of State

Attn: Annual Reports

William R. Snodgrass Tower

312 Rosa L. Parks AVE, 6th FL

Nashville, TN 37243-1102

Phone: (615) 741-2286

Annual Report Filing Fee Due:

\$300 minimum plus \$50 for each member over 6 to a maximum of \$3000

\$20 additional if changes are made in block 3 to the registered agent/office

6849.1618

SOS Control Number: 602508

Limited Liability Company - Domestic

Date Formed: 05/15/2009

Formation Locale: Wilson County

(1) Name and Mailing Address:LEBANON HEALTHCARE PARTNERS, LLC
9206 CONCORD ROAD
BRENTWOOD, TN 37027**(2) Principal Office Address:**9206 CONCORD ROAD
BRENTWOOD, TN 37027RECEIVED
STATE OF TENNESSEE
2011 MAR 14 AM 8:03
JRE HARGETT
SECRETARY OF STATE**(3) Registered Agent (RA) and Registered Office (RO) Address:**

BRYON M GILL

109 N CASTLE

HTS S AVE

LEBANON, TN 37087

Agent Changed: No(4) This LLC is (change if incorrect): ☒ Director Managed, ☐ Manager Managed, ☐ Member Managed,
☐ Board Managed (appropriate if formed prior to 1/1/2006 only).

If board, director, or manager managed, provide the names and business addresses, including zip codes, of the governors, directors, or managers (or their equivalent), respectively.

Name	Business Address	City, State, Zip
Keith A Bolton	9206 Concord Road	Brentwood, TN 37027

(5) Provide the names and business addresses, including zip codes, of the LLC managers (if governed by the LLC Act), or any officers (if governed by the Revised LLC Act), (or their equivalent), respectively.

Name	Business Address	City, State, Zip
Chris Kaufman MD	1616 W. Main Street	Lebanon, TN 37087
Keith A Bolton	9206 Concord Road	Brentwood, TN 37027
ROY TERRY	102 HARTMANN DR., SUITE G PMB 151	LEBANON, TN 37087

(6) Number of members on the date the annual report is executed if there are more than six (6) members: 8☐ This LLC is prohibited from doing business in Tennessee (check if applicable)

(7) Signature:

(8) Date: 3/16/11

(9) Type/Print Name: Keith Bolton

(10) Title: LO CRE

Instructions: Legibly complete the form above. Enclose a check made payable to the Tennessee Secretary of State in the amount of \$400.00. Sign and date this form and return to the address provided above. Additional instructions at http://tn.gov/sos/bus_srv/annual_reports.htm



Tennessee Limited Liability Company Annual Report Form

AR Filing #: 02767279

File online at: <http://TNBear.TN.gov/AR>

Status: Unsubmitted

Due on/Before: 04/01/2012

Reporting Year: 2011

Please return completed form to:

Tennessee Secretary of State

Attn: Annual Reports

William R. Snodgrass Tower

312 Rosa L. Parks AVE, 6th FL

Nashville, TN 37243-1102

Phone: (615) 741-2286

Annual Report Filing Fee Due:

\$300 minimum plus \$50 for each member over 6 to a maximum of \$3000

\$20 additional if changes are made in block 3 to the registered agent/office

1029
12/23/11

6973.0354

SOS Control Number: 602508

Limited Liability Company - Domestic

Date Formed: 05/15/2009

Formation Locale: Wilson County

(1) Name and Mailing Address:

LEBANON HEALTHCARE PARTNERS, LLC

9206 CONCORD ROAD

BRENTWOOD, TN 37027

(2) Principal Office Address:

9206 CONCORD ROAD

BRENTWOOD, TN 37027

(3) Registered Agent (RA) and Registered Office (RO) Address: Agent Changed: No

BRYON M GILL

109 N CASTLE HEIGHTS AVE

LEBANON, TN 37087-2738

(4) This LLC is (change if incorrect): ☒ Director Managed, ☐ Manager Managed, ☐ Member Managed, ☐ Board Managed (appropriate if formed prior to 1/1/2006 only).

If board, director, or manager managed, provide the names and business addresses, including zip codes, of the governors, directors, or managers (or their equivalent), respectively.

Name	Business Address	City, State, Zip
Keith A Bolton	9206 CONCORD ROAD	Brentwood, TN 37027

(5) Provide the names and business addresses, including zip codes, of the LLC managers (if governed by the LLC Act), or any officers (if governed by the Revised LLC Act), (or their equivalent), respectively.

Name	Business Address	City, State, Zip
ROY TERRY	102 HARTMANN DR., SUITE G PMB 151	LEBANON, TN 37087
Chris Kaufman MD	1616 W. Main Street	Lebanon, TN 37087
Keith A Bolton	9206 Concord Road	Brentwood, TN 37027

(6) Number of members on the date the annual report is executed if there are more than six (6) members: 8☐ This LLC is prohibited from doing business in Tennessee (check if applicable)

(7) Signature:

(8) Date: 12/23/11(9) Type/Print Name: Keith A Bolton(10) Title: CEO

Instructions: Legibly complete the form above. Enclose a check made payable to the Tennessee Secretary of State in the amount of \$400.00. Sign and date this form and return to the address provided above. Additional instructions at http://tn.gov/sos/bus_srv/annual_reports.htm

A.5. - Management Agreement

MANAGEMENT AGREEMENT

THIS MANAGEMENT AGREEMENT (the "Agreement"), dated as of the 28th day of June 2010 is by and between Lebanon Healthcare Partners LLC dba Surgery Center of Lebanon, a Tennessee limited liability company ("Owner"), and SSCA MANAGEMENT COMPANY, LLC, a Tennessee limited liability company ("Manager").

RECITALS:

Manager is engaged in the business of providing management services to ancillary healthcare service providers including ambulatory surgery centers. Owner is in the process of developing an ambulatory surgical center (the "Center") in the Lebanon, Tennessee, area. Upon completion, Owner desires for Manager to manage the Center, and as evidence of Owner's commitment to Manager, the parties desire to execute and deliver this Agreement to set forth the terms and conditions of their management duties and the relationship.

NOW, THEREFORE, in consideration of the premises and the obligations undertaken by the parties pursuant hereto, the parties agree as follows:

Section 1. Engagement.

Owner hereby engages Manager to provide the management services described herein, and Manager hereby accepts such engagement, all on the terms and conditions set out herein.

Section 2. Business Management Services to be Provided.

Subject to the direction and approval of the Owner, Manager shall perform the following management duties pursuant to this Agreement:

2.1. Management. Manager shall have the authority and responsibility to conduct, supervise, and manage the day to day operations of the Center such as billing, scheduling of surgical procedures, collection of revenues, disbursement of funds, coordination with third party payers, obtaining supplies, utilities, and services, negotiation of managed care agreements, marketing and promotion of the Center, and providing such services as are required for the efficient operation of the Center. Manager shall carry out its duties at the direction of Owner and keep Owner informed as to all major policy matters affecting the Center. Manager shall have all reasonable discretion in Owner's operations and shall exercise its reasonable judgment in the management and operation of the Center in the absence of direction from Owner.

2.2. Budget. Manager shall submit an operating budget (the "Budget") to Owner for its approval at least thirty (30) days following Manager's commencement of operations of the Center and thirty (30) days in advance of January 1 of each year thereafter. The Budget shall be prepared in reasonable detail and shall include a schedule of projected revenues, a schedule of operating expenses, a schedule of expected repairs and maintenance expenses, and a schedule of proposed capital items to be acquired by Owner, if any. After approval by Owner, such Budget and schedules shall, in general, form the basis on which expenditures for the operation of the Center shall be made.

Manager makes no guarantee, warranty, or representation in connection with any Budget or schedule to be submitted hereunder other than that each Budget represents Manager's reasonable

estimate of the matter involved. In case of a dispute with regard to the Budget, pending the settlement thereof, Manager shall be entitled to continue to operate the Center and in connection therewith to make such expenditures as it may reasonably deem necessary for the continued operation of the Center. In the event of such a dispute, the parties agree to seek an efficient resolution of such dispute which may involve any remedies available to the parties hereunder including arbitration.

2.3. Personnel. Manager shall engage an Administrator of the Center, subject to the approval of Owner, as an employee of the Center or on any other appropriate basis. The Administrator, acting in accordance with the Budget, shall be directly responsible for the day-to-day operations of the Center. Manager shall supervise, manage, and direct the Administrator, to assure compliance with this Agreement, and shall provide such other supervision and support as may be necessary for the efficient operation of the Center. Manager shall not be liable or responsible to the employees of Owner for their wages, fringe benefits, or other forms of compensation. Owner shall be solely responsible for the payment of all such compensation, including fringe benefits, payable with respect to such employees. Owner shall also be responsible for the employer's contribution of FICA, unemployment compensation, and other employment taxes, worker's compensation, group life and accident and health insurance premiums and other similar benefits which may be payable by Owner with respect to its employees.

2.4. Policies and Procedures. Manager as manager shall establish: (a) the charges to be assessed by Owner for all surgical procedures, excluding the professional component of billed services, and the charges for special supplies and special services; (b) personnel procedures and policies for personnel, including policies and procedures relating to employment, discharge, supervision, management, compensation levels, and job description; (c) establishment of administrative procedures, including procedures for collection of accounts receivable, payment of accounts payable and indebtedness, accounting methods to be employed by the Center, patient registration procedures, and reimbursement procedures with respect to Medicaid, Medicare, Blue Cross, and other third party payment contracts and programs in which the Center may from time to time participate; (d) an overview of marketing programs and activities designed to promote Owner and the Center; and (e) appropriate review and protocol procedures to assure that the Center operates in compliance with federal and state requirements for, among other things, ownership by physicians who are making referrals to the Center.

2.5. Utilities and Services. Manager shall arrange for or obtain contracts in the ordinary course of business and of reasonable duration in the name of and at the expense of Owner to provide the Center with all necessary utilities, janitorial and maintenance services, pest control, telephone service, and such other services and concessions which are reasonably necessary in the operation of the Center.

2.6. Operating Supplies. Manager shall arrange for the purchase of all necessary medical, surgical, and administrative supplies and materials in the name of and for the account of Owner in accordance with the Budget approved by Owner.

2.7. Repairs. Manager shall arrange for all necessary or desirable maintenance contracts, repairs, renovations, and replacements to or for the building and the Center, equipment, and furnishings used by Owner. Any program of capital expenditures involving a substantial change with respect to the Center shall be deemed a major capital improvement and shall be undertaken only at the request of and with the approval of Owner.

2.8. Licenses and Permits. Manager shall apply, in Owner's name, for all licenses and permits required in connection with the operation of the Center.

2.9. Bank Accounts. Manager shall deposit with a bank or other financial institution selected by Manager, in an account in Owner's name, all monies received by Manager for and on behalf of Owner. Manager shall be responsible for writing checks on any Owner account in accordance with Manager's policies established policies and procedures. Checks for disbursements over \$5,000 will be required to be cosigned by an authorized representative of Owner. Manager and its employees shall have sole signature authority for disbursements for up to \$5,000. Manager shall be responsible for all cash management.

2.10. Disbursements. Manager shall disburse and pay on behalf of Owner, in such amounts and at such times as the same are required in connection with the operation of the Center, the items set out below. In making such disbursement and payments, Manager shall at all times exercise the same care that an ordinarily prudent person in similar circumstances would exercise with regard to the funds of the Owner. Any disbursement of \$5,000 or more must be approved by at least one Member of the Board of Owner other than an affiliate of Manager.

2.10.1. All taxes, assessments, and impositions of every kind imposed by any governmental authority having jurisdiction, unless the payment thereof is contested in good faith by Owner;

2.10.2. All costs and expenses of operating the Center, including without limitation:

2.10.2.1. Lease obligations and debt service obligations;

2.10.2.2. The cost of all purchases of operating supplies and Center maintenance contracts;

2.10.2.3. Salaries, fringe benefits, and expenses of employees of Owner;

2.10.2.4. The cost of advertising and promotion of the Center;

2.10.2.5. Expenditures incurred in the ordinary course of business or which have been provided for in the annual Budget and related schedules for the year;

2.10.2.6. Premiums for insurance maintained with respect to the Center;

2.10.2.7. The cost of utilities, services, and concessions at the Center;

2.10.2.8. The expenses of Owner's membership in any professional or trade associations deemed desirable by Owner;

2.10.2.9. Application fees and any other expenses associated with obtaining licenses and permits required in connection with the Center;

2.10.2.10. Those amounts due to Manager as out-of-pocket expense reimbursements or management fees, as set forth in Section 4 hereto; and

2.10.2.11. Any other charge, item, or expense which Owner in writing directs to be paid.

2.11. Insurance. With Manager's administrative assistance, insurance will be obtained and maintained by Owner at Owner's expense, for such purposes and with such limits of liability as Owner shall deem reasonably advisable. All such policies, except workman's compensation insurance policies, shall be written or amended to include Manager, its agents, servants, employees, officers, and directors as additional named insureds.

2.12. Accounting. Manager may arrange with an independent accounting firm for the provision of all accounting functions necessary in the operation of the Center including payroll, taxes, income statements, and balance sheets at Owner's expense.

2.13. Financial Reports. Manager shall deliver or cause to be delivered to Owner, at Owner's expense, financial statements as follows:

2.13.1. At least thirty (30) days in advance of each fiscal year, an estimated profit and loss statement and an estimated cash flow projection statement in reasonable detail for the forthcoming fiscal year;

2.13.2. On or before the thirtieth (30th) day of each month after the commencement of operations of the Center, a statement showing the results of operations of the Center for the preceding month and year to date; and

2.13.3. Within ninety (90) days after the end of each fiscal year of the practice, a reviewed balance sheet and related statements of profit and loss.

2.14. Narrative Reports. Manager shall, at the reasonable request of Owner, deliver to Owner written narrative reports discussing the operation of the Center. Manager shall also be available to report to, consult with and advise Owner on all matters pertaining to the operation of the Center at such times as Owner may reasonably request.

2.15. Agency. In the performance of its duties as the Manager of the Center, Manager shall act solely as the agent of Owner. All debts and liabilities to third parties incurred by Manager in the regular course of its management of the Center shall be the debts and liabilities of Owner, and Manager shall not be liable for any such debts or liabilities. Nothing contained in this Agreement shall be construed to create a joint venture or partnership between Owner and Manager.

2.16. Confidentiality. Manager shall not disclose or otherwise use in an unauthorized manner, while this Agreement is in effect or after it is terminated, any confidential business information, patient records, or documents of Owner or the Center without the express prior written consent of Owner.

2.17. Quality Control. Manager shall assist Owner in the evaluation of all quality control aspects of the Center and its operations, and the implementation, at Owner's direction, of quality control programs designed to bring about a high standard of health care in accordance with Owner's policies and resources available to the Center.

2.18. Medical and Professional Matters. Owner shall be solely responsible for all medical matters in connection with the operation of the Center, including, but not limited to,

providing medical services, the employment and the supervision of medical staff, establishing a quality assurance program, advising Manager in regard to obtaining adequate equipment, and obtaining accreditation for the Center, if desired.

2.19. Relationship with Affiliates. In the performance of its duties hereunder, Manager may engage entities that are affiliates to provide services or products required by Owner. The terms of such arrangements shall be on commercially reasonable terms at least as favorable as could be obtained from non-affiliated third parties in similar circumstances.

Section 3. Company Management Services to be Provided.

Subject to the direction and approval of Owner and in full compliance with all provisions of the Operating Agreement of Owner, Manager shall perform the following duties for Owner:

3.1. Coordinate the transfer of ownership interests between Members and/or Owner, and as requested by the Board of Governors of Owner, assist in connection with the recruitment of new Members of Owner;

3.2. Assist Owner in conducting its activities in compliance with the Operating Agreement of Owner, and as requested by the Board of Governors of Owner, proposing amendments to the Operating Agreement; and

3.3. Coordinate and supervise the preparation and delivery of financial reports to Owner, such reports to be provided by an independent public accounting firm.

Section 4. Compensation of Manager.

4.1.1. Reimbursement for Out-of-Pocket Expenses. Manager shall receive reimbursement for all necessary direct out-of-pocket expenses reasonably incurred by it in the management of the Center and Owner. All reimbursed out-of-pocket expenses shall be subject to review by a committee of Members of the Owner.

4.2. Compensation for Management Services. In addition to reimbursement for expenses as provided in Section 4.1 hereof, Manager shall receive a management fee equal to six percent (6%) of Owner's net revenue payable monthly in arrears.

Section 5. Default; Remedies.

5.1. Default by Owner. It shall constitute an event of default under this Agreement (an "Event of Default") by Owner if Owner:

5.1.1. Fails to pay for services rendered hereunder within ten (10) days after such payment is due and payable; or

5.1.2. Fails to observe, keep, or perform any other material provision of this Agreement required to be observed, kept, or performed by Owner.

5.2. Right to Cure. Upon the occurrence of an Event of Default under Section 5.1.1 above, Owner shall have ten (10) days from the receipt of written notice of an Event of Default to remedy such Event of Default before Manager may exercise its remedies provided herein. Upon the

occurrence of an Event of Default under Section 5.1.2 above, Owner shall have thirty (30) days from receipt of written notice of an Event of Default to remedy such Event of Default before Manager may exercise its remedies provided herein.

5.3. Manager's Remedies. If an Event of Default by Owner shall occur, Manager shall have the right to exercise any one or more of the following remedies:

5.3.1. Declare the entire amount of fees currently due hereunder immediately due and payable without notice or demand to Owner;

5.3.2. Sue for and recover all fees and other payments then accrued or thereafter accruing;

5.3.3. Terminate this Agreement; or

5.3.4. Pursue any other remedy at law or in equity including damages for breach of this Agreement which will include future compensation.

Notwithstanding any action which Manager may take, Owner shall be and remain liable for the full performance of all obligations on the part of Owner to be performed under this Agreement.

5.4. Default by Manager. It shall constitute an Event of Default by Manager under this Agreement:

5.4.1. If Manager commits fraud, misappropriation, embezzlement, or the like, of Owner's assets or property;

5.4.2. If Manager commits or engages in gross negligence, willful misconduct, or any intentional breach of its fiduciary duty to Owner; or

5.4.3. If Manager materially fails to provide the services called for hereunder, which material failure continues for thirty (30) days after it shall receive written notice of a Default under this Section.

5.5. Owner's Remedies. If an Event of Default by Manager described in Sections 5.4.1 or 5.4.2 shall occur, Owner shall have the right to seek immediate termination of this Agreement. If an Event of Default described in Section 5.4.3 shall occur, Owner shall have the right, in addition to its other remedies, to terminate this Agreement upon thirty (30) days' prior written notice thereof setting forth with particularity the Event of Default committed by Manager giving rise to the termination, in which case all of Owner's obligations to Manager shall cease as of the effective date of such termination.

Section 6. Term of the Agreement.

6.1. Term. This Agreement shall be effective as of the date first set out above and shall continue for a period of ten (10) years thereafter. This Agreement shall automatically renew for additional terms of five (5) years each unless Manager shall elect to terminate or greater than seventy five percent (75%) of the outstanding membership units of members of Owner (exclusive of units held by any affiliates of Manager) shall vote not to renew at least six (6) months prior to the termination date (a "Member Non-Renewal").

6.2. Payment of Fees Upon Termination.

6.2.1. Payment of Fees. Upon the termination of this Agreement for any reason, all amounts due Manager hereunder shall be paid to Manager by Owner within ninety (90) days of such termination, and shall accrue interest until paid at the prime interest rate as from time to time announced by the Wall Street Journal. If this Agreement shall be terminated by Owner due to an Event of Default by Manager (which Event of Default has not been cured), then Manager shall be entitled to no additional sums. If this Agreement is terminated otherwise, Manager shall be entitled to additional damages based upon the remaining months of the term and the average of the management fee earned by Manager (as determined in Section 4.2).

6.2.2. Delivery of Property. Upon termination of this Agreement for any reason, Owner shall promptly deliver to Manager all proprietary information, including administrative, accounting, and personnel policy and procedure manuals prepared by Manager, and all computer software systems owned by Manager. Manager shall cooperate with Owner to effect the termination and transition to another management company if one is appointed by Owner to succeed Manager. Upon termination, Manager shall deliver to Owner all funds controlled by or in the possession of Manager as agent for Owner.

6.2.3. Termination by Owner. If this Agreement shall be terminated by Owner for cause except for the fees set forth in Section 6.2.1, no additional fees shall be paid to Manager.

Section 7. Miscellaneous.

7.1. Indemnification by Owner. Owner shall indemnify Manager and hold it harmless from any and all liability, including reasonable attorney's fees, caused by or resulting from any negligent or intentional acts or omissions of Owner or any officer, director, agent, or employee thereof.

7.2. Indemnification by Manager. Manager shall indemnify Owner and hold it harmless from any and all liability, including reasonable attorney's fees, caused by or resulting from the negligent or intentional acts or omissions of Manager or any officer, director, agent, or employee thereof.

7.3. Disclaimer of Employment of Medical Employees. No person employed by Owner as a physician, surgical or recovery nurse or member of the surgical support staff shall be, or be deemed to be, an employee of Manager, and Manager shall have no liability for payment of their wages, payroll taxes, and other expenses of employment, except that Manager shall have the obligation to exercise reasonable care in its management of the Center and to apply available practice revenues to the payment of such wages, benefits, and payroll taxes.

7.4. Non-Assumption of Liabilities. Manager shall not, solely by virtue of entering into and performing this Agreement, become liable for, and Owner shall indemnify Manager against, any of the existing or future obligations, liabilities, or debts of Owner, and Manager shall, in its role as Manager, have only an obligation to exercise reasonable care in the management and handling of the funds generated from the operation of the Center.

7.5. Access to Records; Confidentiality of Records. Manager shall, during the term hereof, be given complete access to the Center, its records, offices, and facilities in order to carry out

its obligations hereunder, subject to confidentiality requirements of patient medical records as established by Owner in consultation with Manager. Manager shall use its best efforts to maintain the confidentiality of all files and records, including patient records, of the Center, disclosing the same only as directed by law or by Owner in any particular instance.

7.6. Successors. All the provisions herein contained shall be binding upon and inure to the benefit of the successors (including resulting corporations in a merger, consolidation or other reorganization) and assigns of Manager and Owner to the same extent as if each such successor and assign were in each case named as a party to this Agreement. Manager may assign its rights or duties under this agreement for any purpose, including without limitation, to its creditors or lenders.

7.7. Rights Cumulative; No Waiver. No right or remedy herein conferred upon or reserved to either of the parties hereto is intended to be exclusive of any other right or remedy, and each and every right and remedy shall be cumulative and in addition to any other right or remedy given hereunder, or now or hereafter legally existing upon the occurrence of an event of default hereunder. The failure of either party to insist at any time upon the strict observance or performance of any of the provisions of this Agreement or to exercise any right or remedy as provided in this Agreement, shall not impair any such right or remedy or be construed as a waiver or relinquishment thereof with respect to subsequent defaults. Every right and remedy given by this Agreement to the parties hereto may be exercised from time to time and as often as may be deemed expedient by the parties, as the case may be.

7.8. Headings. The section and paragraph captions and headings contained in this Agreement are included for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement.

7.9. Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed to be an original document and all of which, taken together, shall be deemed to constitute but a single original document.

7.10. Notices. All notices, offers, requests, demands, and other communications pursuant to this Agreement shall be given in writing by personal delivery, by prepaid first class registered or certified mail properly addressed with appropriate postage paid thereon, telegram, telex, telecopier, facsimile transmission, and shall be deemed to be duly given and received on the date of delivery if delivered personally, on the second day after the deposit in the United States Mail if mailed, upon acknowledgment of receipt of electronic transmission if sent by telecopier or facsimile transmission, or on the first day after delivery to the telegraph office if given by prepaid telegraph. Notices shall be sent to the parties at the following address:

If to Owner:

If to Manager: SSCA MANAGEMENT COMPANY, LLC
9206 Concord Road
Brentwood, TN 37027
Attention: President
Phone: (615) 371-6778
Fax: (615) 371-6778

With a copy to: SHERRARD & ROE, PLC
424 Church Street, Suite 2000
Nashville, Tennessee 37219
Attn: Tracy A. Powell, Esq.
Phone: (615) 742-4200
Fax: (615) 742-4539

or to such other address as any party may have furnished to the others in writing in accordance herewith, except that notices of change of address shall only be effective upon receipt.

7.11. Entire Agreement. This Agreement, including any exhibits, schedules, lists, and other documents and writings referred to herein or delivered pursuant hereto, all of which form a part hereof, contains the entire understanding of the parties with respect to its subject matter. It merges and supersedes all prior and/or contemporaneous agreements and understandings between the parties, written or oral, with respect to its subject matter and there are no restrictions, agreements, promises, warranties, covenants, or undertakings between the parties with respect to the subject matter hereof other than those expressly set forth herein. This Agreement may be amended only by a written instrument duly executed by all parties or their respective heirs, successors, assigns, or legal personal representatives.

7.12. Severability. In the event that any provision of this Agreement, or the application thereof to any person or circumstance, is held by a court of competent jurisdiction to be invalid, illegal, or unenforceable in any respect, such invalidity, illegality, or unenforceability shall not affect any other provision of this Agreement, or the application of the invalid, illegal, or unenforceable provision to any other person or circumstance, and this Agreement shall then be construed as if such invalid, illegal, or unenforceable provision had not been contained in this Agreement, but only to the extent of such invalidity, illegality, or unenforceability.

7.13. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Tennessee.

7.14. Reasonable Assurances. The provisions of this Agreement are intended to be self-operative and shall not require further agreement by the parties except as otherwise specifically provided herein. Nonetheless, all parties agree to cooperate fully to execute any and all supplementary documents, and to take all additional actions that are consistent with and which may be necessary or appropriate to give full force and effect to the basic terms and intent of this Agreement.

7.15. Corporate Authorization. Each individual executing this Agreement on behalf of an entity represents and warrants that he or she is duly authorized to execute and deliver this Agreement on behalf of said entity; that this Agreement is binding on said entity in accordance with

its terms; and that this Agreement is not in violation of or inconsistent or contrary to provisions of any other agreement to which such entity is a party.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by themselves or their duly authorized representative as of the day and year first written above.

OWNER:

[_____, LLC]

MANAGER:

SSCA MANAGEMENT COMPANY, LLC

By: _____

By: _____

Its: _____

Its: _____

Date Executed

Date Executed

A.6. - Legal Interest in Site

LEASE AGREEMENT

THIS LEASE AGREEMENT (the "Lease") is made and entered into effective as of _____, 2013 (the "Effective Date"), by and between SSCA Real Estate Investors of Lebanon, LLC, a Tennessee limited liability company (the "Landlord"), and Lebanon Healthcare Partners, LLC, a Tennessee limited liability company (the "Tenant").

WITNESSETH:

1. Premises. Landlord hereby leases to Tenant, and Tenant hereby leases from Landlord, the medical office building/ambulatory surgery center, real estate and all improvements located at 1620 W. Main Street, Lebanon, Tennessee, as more particularly described on Exhibit A (collectively, the "Premises"). The medical office building/ambulatory surgery center located on (or to be located on) the Premises will consist of approximately 9300 rentable square feet and is referred to herein as the "Building". The parties agree that the Building and improvements to be located on the Premises have not yet been constructed and the rentable square footage of the Building is currently estimated based on working drawings. Upon completion of construction of the Building, Landlord's architect shall recalculate the rentable square footage of the Building using the American National Standard Method of Measuring Floor Area in Office Buildings, EONS Z65.1-1996, published by the Building Owners and Managers Association International ("BOMA Standards") and Tenant will pay Base Rent based on the new rentable square footage.

2. Term.

a. The term of this Lease (the "Initial Term") shall begin the first business day following the later of (i) the issuance of a certificate of occupancy for the Building, or (ii) Landlord's receipt from Tenant of evidence that State of Tennessee Department of Health – Division of Health Care Facilities has issued a license to Tenant for the operation of an ambulatory surgery center (the, "Commencement Date"). This Lease shall expire sixty (60) months after the Commencement Date, unless extended pursuant to Section 2(b). Following the Commencement Date, the parties shall execute Exhibit B, attached hereto and incorporated herein, which shall contain an acknowledgment of the date upon which the Commencement Date of this Lease occurred.

b. So long as there is no default under this Lease at the time of exercise of an extension option or at the time a Renewal Term is to commence, Tenant shall have four (4) options to extend the term of this Lease for additional and successive five (5) year periods (each, a "Renewal Term") on the same terms and conditions of this Lease (with Base Rent to continue to increase on each anniversary of the Commencement Date as set forth in Section 3), except that the exercise of any extension option shall not create an additional extension option beyond the extension options set forth in this Section 2. Tenant shall exercise each option by giving Landlord written notice (each an "Option Notice") of its desire to extend the term of the Lease at least 180 days (but not more than 270 days) prior to the expiration of the Initial Term or the then current Renewal Term, as the case may be. If an Option Notice is provided, the applicable Renewal Term shall commence on the first day following the expiration of the Initial Term or the preceding Renewal Term, as the case may be. Should Tenant fail to give an Option Notice as

required by this Section 2(b) with respect to the applicable Initial Term or Renewal Term, or if Tenant is in default of the Lease at the time the Option Notice is to be delivered or the applicable Renewal Term is to commence, the extension option and all other extension options will lapse unexercised and this Lease shall terminate upon expiration of the Initial Term or the then current Renewal Term, as the case may be. The Initial Term plus any and all extensions thereof pursuant to this Section 2 are collectively referred to herein as the "Term."

3. Rent.

a. Base Rent. Beginning on the Commencement Date, Tenant shall pay Landlord base rent in the amount of \$20.00 per rentable square foot of the Building per Lease Year (as such amount adjusts pursuant to this Section 3(a), the "Base Rent"), payable in advance, in equal monthly installments on or before the first day of each month during the Term, without offset, deduction or demand therefor. Base Rent for any partial month from the Commencement Date to the first day of the next succeeding month shall be prorated based upon a thirty (30) day month and shall be payable on the Commencement Date. Base Rent will be adjusted on each anniversary of the Commencement Date to an amount equal to the greater of (i) 102% of the Base Rent payable immediately prior to that anniversary, and (ii) the Base Rent payable immediately prior to that anniversary multiplied by a fraction, the numerator is the Consumer Price Index (the "CPI") for the month immediately preceding the adjustment date, and the denominator is the CPI for the month preceding the prior adjustment date. The CPI means the Consumer Price Index published by the Bureau of Labor Statistics of the United States Department of Labor, U.S. City Average, All Items and Major Group Figures for Urban Wage Earners and Clerical Workers (1982-84 = 100).

As used herein, "Lease Year" means the twelve (12) month period commencing on the first (1st) day of the calendar month in which the Term commences, and each subsequent twelve (12) month period during the Term.

b. The Base Rent and all other amounts or payments under this Lease to be paid by Tenant to Landlord (collectively, the "Rent") shall be made payable to, and mailed or personally delivered to, Landlord at the address designated in writing by Landlord. No payment by Tenant or receipt by Landlord of a lesser amount than the entire payment due under this Lease shall be considered anything other than a payment on account of the earliest Rent due.

4. Utilities. Tenant shall pay and be responsible for all electric, water, gas, sewerage, trash collection and other utility expenses arising out of Tenant's occupancy and use of, or assessed to or levied upon, the Premises during the Term. The Landlord is not responsible for the provision or any interruptions or curtailment in the provision of utility services to the Premises.

5. Taxes; Fees and Charges. Tenant shall pay when due all taxes, assessments, license and permit fees and other governmental levies and charges, general and special, ordinary and extraordinary, of any kind or nature ("Taxes"), which are assessed to or levied upon the Premises during the Term. In addition, Tenant shall pay all ad valorem taxes levied on its personal property located in or on the Premises. Tenant shall have the right in its own name or in

Landlord's name where appropriate, to contest the amount or legality of any Taxes that it is obligated to pay hereunder, and Owner agrees to execute any instruments or documents necessary in connection therewith. If Tenant contests the amount or legality of any Taxes, then, so long as the payment of such Taxes may legally be held in abeyance, the time within which Tenant shall be required to pay the same shall be extended until such contest is completed, provided Tenant shall be responsible for any penalty imposed by the taxing authority as a result thereof. Landlord may require Tenant to pay Landlord on a monthly basis at the time of payment of Base Rent a pro rata amount of the Taxes payable (or estimated to be payable). If Landlord elects to collect such on a monthly basis, Landlord will provide written notice to Tenant that such election has been made and the monthly amount of Taxes to be paid by Tenant. Beginning the immediately following month Tenant will make such payments to Landlord. Landlord will use all such funds received from Tenant for the payment of Taxes. To the extent Landlord later determines that Tenant has overpaid for such Taxes, Landlord will either reduce the estimated amount of Taxes for the next year or reimburse Tenant the amount of such overpayment. If Tenant has underpaid such Taxes, Tenant will promptly pay the amount of the underpayment to Landlord with such payment in any case to be made within ten (10) days of receipt of notice from Landlord of the amount due and payable.

6. Casualty Insurance. Landlord shall maintain property insurance (causes of loss - special form basis (or its equivalent)) on all buildings, structures and other improvements on the Premises (which insurance may include, without limitation, rent insurance, building ordinance coverage, water damage, war and terrorism insurance, and such other coverages as Landlord will determine from time to time) for the full replacement value of all of the buildings, structures and other improvements now located on or hereafter constructed on the Premises. In addition, Landlord in its discretion may carry commercial general liability insurance (which insurance may, without limitation, cover claims for bodily injury, death and property damage occurring on or about the Premises, including, without limitation, any sidewalks) and Landlord's excess or umbrella insurance in such amounts and with such endorsements as Landlord believes reasonable or which are required by Landlord's lender. The insurance policies carried by Landlord shall be for the sole benefit of Landlord and under Landlord's sole control, and Tenant shall have no right or claim to any proceeds thereof or any other rights thereunder. Tenant shall be responsible for paying as additional Rent for the cost of Landlord's insurance. Tenant shall pay Landlord on a monthly basis as additional Rent (due on the 1st day of each month) 1/12th of the annual cost of the insurance premiums for the insurance policies carried by Landlord. If at a time a payment is required the amount of the insurance premiums for the insurance coverages for the current policy year will not be known, then Tenant will pay to Landlord, as additional Rent, 1/12th of the annual insurance premiums for the insurance coverages for the immediately preceding policy year; and upon ascertaining the amount for the current policy year, Tenant will pay the difference upon demand, or if Tenant will be entitled to a credit, Landlord will credit the excess against the next monthly installments of additional Rent for insurance premiums falling due.

Tenant shall maintain at its expense business interruption insurance and property insurance coverage at full replacement cost on of all its personal property, including removable trade fixtures located on the Premises and on all additions and improvements (including fixtures) made by Tenant.

7. Sales Tax. In the event of the enactment of any federal, state or local sales or other tax upon rents, said tax shall be added to the rent payable under this Lease, and such tax shall be collected by Landlord and remitted to the taxing authority. Tenant agrees to pay Landlord the amount of such tax within thirty (30) days of demand, or, at Landlord's option, at the time and place such other rental payments reserved herein are required.

8. Use of the Premises. Tenant shall have the right to use the Premises for the operation of an ambulatory surgery center, doctor's offices and related uses incidental or ancillary thereto and for no other purpose.

9. Assignment/Subletting. Tenant shall not assign, convey, mortgage, pledge, encumber, or otherwise transfer (whether voluntarily, by operation of law, or otherwise) this Lease, or sublet the Premises, or any portion thereof, without Landlord's prior written consent, such consent to be given or withheld in Landlord's sole and absolute discretion. For purposes hereof, the transfer of the ownership or voting rights in a controlling interest of the voting stock of Tenant (if Tenant is a corporation) or the transfer of a general partnership interest or the transfer of a majority of the limited partnership, limited liability company interest, or membership interest in Tenant (if Tenant is a partnership, limited partnership, or limited liability company), at any time throughout the Term, shall be deemed to be an assignment of this Lease. Notwithstanding any assignment of this Lease, or the subletting of the Premises or any portion thereof, Tenant shall continue to be liable for the performance of terms, conditions and covenants of this Lease, including but not limited to, the payment of Rent.

Concurrently with Tenant's notice of any request for consent to any assignment or subletting, Tenant shall pay to Landlord a fee of \$1,200 to defray Landlord's expenses in reviewing such request and Tenant shall also reimburse Landlord immediately upon request for its reasonable attorneys' fees incurred in connection with considering any request for consent to an assignment or subletting. Tenant shall also provide Landlord with the proposed documentation and all reasonable information related to the proposed transfer requested by Landlord including, but not limited to, business and business history of the proposed transferee, the proposed use of the Premises, and credit and financial information, including, but not limited to, audited year-end financial statements and year-to-date unaudited financial statements.

10. Care and Use of the Premises. Tenant shall not:

- a. use, or permit to be used, any part of the Premises for any illegal, immoral or unlawful purpose;
- b. make any alterations, additions or improvements or erect, install or paint any exterior signs or window or door signs; or
- c. install any plumbing fixtures, shades, awnings, radio or television antennas without Landlord's prior written consent.

11. Compliance with Law. Tenant shall conduct its business on the Premises in full compliance with all applicable federal, state, county and municipal governmental and regulatory

requirements, applicable permits, licenses, certificates of need, and restrictive covenants, and other laws, rules and regulations applicable to the Premises. After the Commencement Date, Tenant shall be responsible for compliance of the Premises with all applicable Laws (as defined in Section 51), including, without limitation, applicable federal, state, and county laws and municipal governmental and regulatory requirements, and Tenant shall bear all costs necessary to maintain the Premises in compliance with all applicable Laws, including, without limitation, structural work, if any. Tenant will not store, use or dispose of any Hazardous Substances on the Premises (excluding those usually and customarily utilized in a normal medical office) without the prior written approval of Landlord. For any and all Hazardous Substances utilized by Tenant on the Premises, Tenant's storage, use and disposal of such Hazardous Substances shall be in compliance with all applicable Laws and governmental standards. Tenant hereby indemnifies and holds harmless Landlord from and against any liabilities, suits, claims, fines, penalties, damages, costs, or expenses, including but not limited to court costs and attorney's fees, that Landlord may incur as a result of 'tenant's storage, use or disposal of Hazardous Substances. For purposes of this Lease, "Hazardous Substances" means substances regulated under federal law or by the laws of the state, county or municipality in which the Premises are located, and including but not limited to asbestos, radioactive and petroleum related products.

12. Repairs and Replacements. Landlord's maintenance obligations are limited to maintenance and repair of the roof, foundation and exterior walls. Tenant shall, at its expense, maintain, repair and replace (if necessary to maintain in good order, repair, and condition) all other portions of the Premises, including, but not limited to, (i) parking lots, paving, parking stripes, lighting, sidewalks, landscaping, sewer, electrical, gas, and other utility lines, all generators and other equipment or fixtures outside of the Building, and all other parts of the Premises outside of the Building, and such obligation to maintain will include cleaning, striping, and resurfacing, and removal of snow from parking areas, and (ii) all the interior portions of the Building, the plumbing, mechanical, electrical and heating, ventilating, fire protection, and air conditioning ("HVAC") systems in the building, all windows, glass and plate glass, doors, entrances, interior walls and finish work, floors and floor covering, fixtures, all equipment (including fire extinguisher equipment) and all other portions of the Building that are not Landlord's responsibility hereunder.

13. Alterations. Tenant shall make no alterations, additions or improvements to the Premises (such as installation of subdivision partitions, walls, panels, bookshelves, floor covering, cabinets and similar items) without obtaining the prior written consent of Landlord, such consent shall not be unreasonably withheld in the case of minor alterations (i.e., those alterations costing less than \$10,000.00) to conform the Premises to the use of Tenant. All alterations, additions or improvements shall be performed in a good and workmanlike manner, in compliance with all applicable federal, state and local laws and regulations, and Tenant shall pursue the same to completion with reasonable diligence. In granting its consent to any alterations, additions or improvements, Landlord may impose reasonable conditions as to insurance, bonds and waivers and releases of mechanic's liens as Landlord deems advisable or necessary. When completed such alterations, additions and improvements (save for movable furniture and equipment) shall become the property of Landlord and shall remain upon and be surrendered with the Premises at the expiration or earlier termination of this Lease, or alternatively Landlord may, at its option, by written notice to Tenant, require that Tenant remove

any alterations, additions or improvements specified in such notice and return the Premises to their condition prior to the installation of such alterations, additions or improvements. If Tenant fails to remove such items and restore the Premises to their original condition, Tenant shall promptly reimburse Landlord for any expense that Landlord incurs in performing such removal.

14. Landlord's Liability. Landlord shall not be liable for damage to persons or property sustained by Tenant, its agents, employees and invitees, except if caused by Landlord's sole or gross negligence or willful misconduct. Landlord shall not be liable to Tenant for damage to Tenant's property caused by leaking water or any other defect which Landlord is responsible for remedying hereunder, except after written notice of the defect has been given to Landlord, and Landlord has had a reasonable opportunity to make necessary repairs. Landlord shall not be liable for failure or interruption of utilities in the building occasioning injury to Tenant, its guests, invitees or licensees or their property.

15. Tenant's Indemnification. Tenant hereby agrees to indemnify, defend and hold Landlord and its agents harmless from and against any and all suits, claims, fines, penalties, damages, liability, costs and expenses, including, without limitation, court costs and attorneys' fees, arising out of or resulting from: (i) the use and occupancy of the Premises by Tenant, Tenant's agents, employees, contractors, invitees, subtenants, assignees or any other person, (ii) any act or omission of Tenant, its agents, employees, contractors, invitees, subtenants or assignees, (iii) any misuse, neglect or unlawful use of the Premises or any of its facilities by Tenant or Tenant's agents, employees, contractors, invitees, subtenants, assignees, or (iv) any breach, violation or nonperformance of any undertaking of Tenant under this Lease, in each case even though caused by the negligence or fault of Landlord or its agents (other than any loss arising from the sole negligence or gross negligence of Landlord or its agents). This indemnity is intended to indemnify Landlord and its agents against the consequences of their own negligence or fault as provided above when Landlord or its agents are jointly, comparatively, contributively, or concurrently negligent with Tenant.

16. Tenant's Insurance. Effective as of the Commencement Date, and continuing throughout the Term, Tenant shall maintain the following insurance policies: (A) commercial general liability insurance in amounts of \$5,000,000 per occurrence. Tenant shall obtain such endorsements to the commercial general liability policy or otherwise obtain insurance to insure all liability arising from such activity or matter in such amounts as Landlord may reasonably require, insuring Tenant, Landlord, and Landlord's property management company (if any) against all liability for injury to or death of a person or persons or damage to property arising from the use and occupancy of the Premises and (without implying any consent by Landlord to the installation thereof) the installation, operation, maintenance, repair or removal of Tenant's equipment; (B) insurance covering the full value of all alterations and improvements and betterments in the Premises, naming Landlord and Landlord's Mortgagee as additional loss payees as their interests may appear; (C) insurance covering the full value of all furniture, trade fixtures and personal property (including property of Tenant or others) in the Premises; (D) contractual liability insurance sufficient to cover Tenant's indemnity obligations hereunder (but only if such contractual liability insurance is not already included in Tenant's commercial general liability insurance policy); (E) worker's compensation insurance; and (F) business interruption insurance. Tenant's insurance shall provide primary coverage to Landlord when any policy

issued to Landlord provides duplicate or similar coverage, and in such circumstance Landlord's policy will be excess over Tenant's policy. Tenant shall furnish to Landlord certificates of such insurance and such other evidence satisfactory to Landlord of the maintenance of all insurance coverages required hereunder at least ten days prior to the Commencement Date, and at least fifteen (15) days prior to each renewal of said insurance, and Tenant shall obtain a written obligation on the part of each insurance company to notify Landlord at least thirty (30) days before cancellation or a material change of any such insurance policies. All such insurance policies shall be in form, and issued by companies reasonably satisfactory to Landlord. If Tenant fails to comply with the foregoing insurance requirements or to deliver to Landlord the certificates or evidence of coverage required herein, Landlord, in addition to any other remedy available pursuant to this Lease or otherwise, may, but shall not be obligated to, obtain such insurance and Tenant shall pay to Landlord on demand the premium costs thereof, plus an administrative fee of fifteen percent (15%) of such cost.

17. Waiver of Subrogation. Landlord and Tenant agree (to the extent that such agreement does not invalidate coverage under any policy of insurance) that, in the event the Premises, or any part thereof, are damaged or destroyed by fire or other casualty that is covered by insurance of Landlord or Tenant, or the sublessees, assignees, or transferees of Tenant, the rights of any party against the other or against the employees, agents or licensees of any party, with respect to such damage or destruction and with respect to any loss resulting therefrom, including the interruption of the business of any of the parties, are hereby waived to the extent of the coverage of said insurance. Landlord and Tenant further agree that all policies of fire, extended coverage, business interruption and other insurance covering the Premises or the contents therein shall, if possible, provide that the insurance shall not be impaired if the insureds have waived their right of recovery from any person or persons prior to the date and time of loss or damage. Any additional premiums for such clause or endorsement shall be paid by the primary insured.

18. Damage by Fire or Other Casualty.

(a) Repair Estimate. If the Premises or the Building are damaged by fire or other casualty (a "Casualty"), Landlord shall, within ninety (90) days after such Casualty, deliver to Tenant a good faith estimate (the "Damage Notice") of the time needed to repair the damage caused by such Casualty.

(b) Tenant's Rights. If a material portion of the Premises is damaged by Casualty such that Tenant is prevented from conducting its business in the Premises in a manner reasonably comparable to that conducted immediately before such Casualty and Landlord estimates that the damage caused thereby cannot be repaired within three hundred sixty (360) days after commencement of repairs (the "Repair Period"), then Tenant may terminate this Lease by delivering written notice to Landlord of its election to terminate within thirty (30) days after the Damage Notice has been delivered to Tenant.

(c) Landlord's Rights. If a Casualty damages the Premises or a material portion of the Building and (i) Landlord estimates that the damage to the Premises cannot be repaired within the Repair Period; (ii) the damage to the Premises exceeds twenty-five percent

(25%) of the replacement cost thereof (excluding foundations and footings), as estimated by Landlord; (iii) regardless of the extent of damage to the Premises, Landlord makes a good faith determination that restoring the Building would be uneconomical; or (iv) Landlord is required to pay any insurance proceeds arising out of the Casualty to Landlord's Mortgagee (as defined below), then Landlord may terminate this Lease by giving written notice of its election to terminate within thirty (30) days after the Damage Notice has been delivered to Tenant.

(d) Repair Obligation. If neither party elects to terminate this Lease following a Casualty, then Landlord shall, within a reasonable time after such Casualty, begin to repair the Premises and shall proceed with reasonable diligence to restore the Premises to substantially the same condition as they existed immediately before such Casualty; however, Landlord shall not be required to repair or replace any alterations or betterments within the Premises that were installed by Tenant and not funded by Landlord (which shall be promptly and with due diligence repaired and restored by Tenant at Tenant's sole cost and expense) or any furniture, equipment, trade fixtures or personal property of Tenant or others in the Premises or the Building. Landlord's obligation to repair or restore the Premises shall be limited to the extent of the insurance proceeds actually received by Landlord for the Casualty in question. If this Lease is terminated under the provisions of this Section, Landlord shall be entitled to the full proceeds of the insurance policies providing coverage for all alterations, improvements and betterments in the Premises.

(e) Abatement of Rent. If the Premises are damaged by Casualty, Base Rent for the portion of the Premises rendered untenable by the damage shall be abated on a equitable basis from the date of damage until the completion of Landlord's repairs (or until the date of termination of this Lease by Landlord or Tenant as provided above, as the case may be), unless Tenant or its agents, employees, contractors, invitees, subtenants or assignees caused such damage, in which case, Tenant shall continue to pay, without abatement, any Base Rent that is not covered by any rent loss insurance that Landlord may carry.

19. Condemnation. If the whole or any substantial and material portion of the Premises or Building is taken for any public or quasi-public use under any governmental law, ordinance or regulation, or by right of eminent domain, or by private purchase in lieu thereof, then this Lease shall terminate effective when the physical taking of the Premises occurs. If a portion of the Premises or Building shall be taken for any public or quasi-public use under any governmental law, ordinance or regulation, or by right of eminent domain, or by private purchase in lieu thereof and this Lease is not terminated as provided above, then for the remainder of the Term, the Base Rent due hereunder shall be equitably abated. Landlord shall be entitled to receive the entire award or payment in connection with any taking and Tenant hereby assigns to Landlord any interest therein for the value of Tenant's unexpired leasehold estate or any other claim and waives any right to participate therein, except that Tenant shall have the right to file a separate claim for moving expenses, the taking of Tenant's personal property and loss or interruption of Tenant's business, provided that such award is separately payable to Tenant and does not reduce the award to Landlord.

20. Events of Default. Each of the following occurrences shall be an "Event of Default":

- (a) Tenant's failure to pay Rent within five (5) days of when due;
- (b) Tenant abandons the Premises or any substantial portion thereof;
- (c) Tenant fails to provide any estoppel certificate or subordination agreement within the time frame set forth in this Lease;
- (d) Tenant fails to procure, maintain and deliver to Landlord evidence of the insurance policies and coverages as required under this Lease;
- (e) Tenant fails to pay and release of record, or diligently contest and bond around, any mechanic's lien filed against the Premises for any work performed, materials furnished, or obligation incurred by or at the request of Tenant, within the time and in the manner required by this Lease;
- (f) Tenant's failure to perform, comply with, or observe any other agreement, covenant or obligation of Tenant under this Lease and the continuance of such failure for a period of more than thirty (30) days after Landlord has delivered to Tenant written notice thereof; and
- (g) The filing of a petition by or against Tenant (the term "Tenant" shall include, for the purpose of this subsection, any guarantor of Tenant's obligations hereunder) (i) in any bankruptcy or other insolvency proceeding; (ii) seeking any relief under any state or federal debtor relief law; (iii) for the appointment of a liquidator or receiver for all or substantially all of Tenant's property or for Tenant's interest in this Lease; or (iv) for the reorganization or modification of Tenant's capital structure; however, if such a petition is filed against Tenant, then such filing shall not be an Event of Default unless Tenant fails to have the proceedings initiated by such petition dismissed within sixty (60) days after the filing thereof.

21. Remedies. Upon any Event of Default, Landlord may, in addition to all other rights and remedies afforded Landlord hereunder or by law or equity, take any one (1) or more of the following actions:

- (a) Terminate this Lease by giving Tenant written notice thereof, in which event Tenant shall pay to Landlord the sum of (i) all Rent accrued hereunder through the date of termination; (ii) all Default Costs (as defined below); and (iii) an amount equal to (A) the total Rent that Tenant would have been required to pay for the remainder of the Term discounted to present value at a per annum rate equal to the "Prime Rate" as published on the date this Lease is terminated by The Wall Street Journal, Southeast Edition, in its listing of "Money Rates" minus one percent (1 %); minus (B) the then reasonable rental value of the Premises for such period, similarly discounted.
- (b) Terminate Tenant's right to possess the Premises without terminating this Lease by giving written notice thereof to Tenant, in which event Tenant shall pay to Landlord (i) all Rent and other amounts accrued hereunder to the date of termination of possession; (ii) all

Default Costs (as defined below); and (iii) all Rent and other net sums required hereunder to be paid by Tenant during the remainder of the Term, diminished by any net sums thereafter received by Landlord through reletting the Premises during such period, after deducting from the net sums received by Landlord all costs incurred by Landlord in reletting the Premises. If Landlord elects to proceed under this subsection, Landlord may remove all of Tenant's property from the Premises and store the same in a public warehouse or elsewhere at the cost of, and for the account of, Tenant, without becoming liable for any loss or damage which may be occasioned thereby. Landlord may relet the Premises on such terms as Landlord in its sole discretion may determine (including a term different from the Term, rental concessions, and alterations to, and improvement of, the Premises). Landlord shall not be liable for, nor shall Tenant's obligations hereunder be diminished because of, Landlord's failure to relet the Premises or to collect rent due for such reletting. Tenant shall not be entitled to the excess of any consideration obtained by reletting over the Rent due hereunder. Reentry by Landlord in the Premises shall not affect Tenant's obligations hereunder for the unexpired Term; rather, Landlord may, from time to time, bring an action against Tenant to collect amounts due by Tenant, without the necessity of Landlord's waiting until the expiration of the Term. Unless Landlord delivers written notice to Tenant expressly stating that it has elected to terminate this Lease, all actions taken by Landlord to dispossess or exclude Tenant from the Premises shall be deemed to be taken under this subsection. If Landlord elects to proceed under this subsection, it may at any time elect to terminate this Lease under subsection (a).

(c) Perform any act Tenant is obligated to perform under the terms of this Lease (and enter upon the Premises in connection therewith if necessary) in Tenant's name and on Tenant's behalf, without being liable for any claim for damages therefor, and Tenant shall reimburse Landlord on demand for any expenses which Landlord may incur in thus effecting compliance with Tenant's obligations under this Lease (including, but not limited to, collection costs and legal expenses), plus interest thereon at the Default Rate.

(d) In the event of termination of this Lease by reason of any Event of Default by Tenant, then Tenant, upon Landlord's written request, shall to the extent permitted by applicable Law, transfer to Landlord or its designees or assignees the following: (i) all federal, state or municipal licenses, certificates of need, certifications, other operating certificates, accreditations, approvals, permits, variances, waivers, provider agreements and other authorizations which relate to the operation of a surgery center or other health care operations on the Premises; (ii) the name of the surgery center or other operations as then known to the general public; and (iii) if requested by Landlord, financial and accounting records, business records, data, employee and/or personnel records, patient records, patient accounts, documents, charts, and all other records or documents which may be necessary or useful for the operation of the Premises as a surgery center or other health care facility. Tenant shall allow Landlord or a proposed replacement operator to utilize Tenant's, computer hardware and software for a minimum of ninety (90) days to facilitate the transfer of operations, the collection of accounts receivables, the billing of providers, and the provision of patient care. Tenant shall indemnify, defend, protect and hold harmless Landlord from and against any loss, damage, cost or expense incurred by Landlord or Landlord's designee or nominee in connection with the correction of any and all deficiencies of a physical nature identified by any governmental authority responsible for licensing the Tenant or the Premises in the course of any change of ownership inspection and

audit. Tenant shall also prepare and file all notices required by applicable Law in connection with such termination and the transfer of such licenses, certificates of needs, and provider agreements and shall also prepare and timely file all final Medicare and Medicaid cost reports. In the event Tenant fails or refuses to transfer any such licenses, certificates of needs, certifications, other certificates, accreditations, approvals, permits, variances, waivers, provider agreements, other authorization or trade name, then to the extent permitted by applicable Law, this provision shall constitute an act of assignment by Tenant to the Landlord or its assigns and designees without the necessity of any further written instrument. For this purpose Tenant constitutes and appoints each Landlord its true and lawful attorney in fact with full power of substitution to complete or undertake such replacements in the name of Tenant and to make any filings or notices to evidence or effectuate the same. Such power of attorney shall be deemed to be a power coupled with an interest and cannot be revoked. If necessary for Landlord, or its designee, to operate the Premises, for the period commencing on the termination of the Lease and ending on the date that Landlord or its designees obtain all appropriate licenses and certifications required to operate the Premises as a Medicaid and Medicare certified surgery center, Landlord, or its designee, shall operate the Premises under a management agreement with Tenant, with Landlord and its designee, responsible for all costs of such operation (e.g., taxes, insurance, and maintenance).

22. Payment by Tenant; Non-Waiver; Cumulative Remedies.

(a) Upon any Event of Default, Tenant shall pay to Landlord all of the costs incurred by Landlord in (i) obtaining possession of the Premises; (ii) removing and storing Tenant's or any other occupant's property; (iii) repairing, restoring, altering, remodeling, or otherwise putting the Premises into condition acceptable to a new tenant; (iv) if Tenant is dispossessed of the Premises and this Lease is not terminated, reletting all or any part of the Premises (including brokerage commissions, cost of tenant finish work, and other costs incidental to such reletting); (v) performing Tenant's obligations that Tenant failed to perform; (vi) enforcing, or advising Landlord of, its rights, remedies, and recourses arising out of the Event of Default; (vii) interest on all sums due Landlord at the Default Rate; and (viii) all court costs and reasonable attorneys' fees and expenses in connection with the foregoing (collectively "Default Costs").

(b) Neither Landlord's acceptance of Rent following an Event of Default nor the application by Landlord of any security for the obligations of Tenant following an Event of Default shall waive Landlord's rights regarding such Event of Default. No waiver by Landlord of any violation or breach of any of the terms contained herein shall waive Landlord's rights regarding any future violation of such term. Landlord's acceptance of any partial payment of Rent shall not waive Landlord's rights with regard to the remaining portion of the Rent that is due, regardless of any endorsement or other statement on any instrument delivered in payment of Rent or any writing delivered in connection therewith; accordingly, Landlord's acceptance of a partial payment of Rent shall not constitute an accord and satisfaction of the full amount of the Rent that is due.

(c) Any and all remedies set forth in this Lease: (i) shall be in addition to any and all other remedies Landlord may have at law or in equity, (ii) shall be cumulative, and

(iii) may be pursued successively or concurrently as Landlord may elect. The exercise of any remedy by Landlord shall not be deemed an election of remedies or preclude Landlord from exercising any other remedies in the future.

23. Inspection Rights. Landlord and its authorized agents shall have the right to enter the Premises at all reasonable times for the purpose of showing the Premises to prospective tenants and buyers, inspecting the same, preventing waste, fulfilling Landlord's obligations hereunder, and making such repairs as Landlord may consider necessary. If, during the last month of the Term, Tenant shall have removed all or substantially all of Tenant's property therefrom, Landlord may immediately enter and alter, renovate and redecorate the Premises without elimination or abatement of rent, and without incurring any liability to Tenant, and such acts shall have no effect upon this Lease.

24. Subordination; Attornment; Notice to Landlord's Mortgagee.

(a) Subordination. This Lease shall be subordinate to any deed of trust, mortgage, or other security instrument (each, a "Mortgage"), or any ground lease, master lease, or primary lease (each, a "Primary Lease"), that now or hereafter covers all or any part of the Premises (the mortgagee under any such Mortgage, beneficiary under any such deed of trust, or the lessor under any such Primary Lease is referred to herein as a "Landlord's Mortgagee"). Any Landlord's Mortgagee may elect, at any time, unilaterally, to make this Lease superior to its Mortgage, Primary Lease, or other interest in the Premises by so notifying Tenant in writing. The provisions of this Section shall be self-operative and no further instrument of subordination shall be required; however, in confirmation of such subordination, Tenant shall execute and return to Landlord (or such other party designated by Landlord) within ten (10) days after written request therefor such documentation, in recordable form if required, as a Landlord's Mortgagee may reasonably request to evidence the subordination of this Lease to such Landlord's Mortgagee's Mortgage or Primary Lease (including a subordination, non-disturbance and attornment agreement) or, if the Landlord's Mortgagee so elects, the subordination of such Landlord's Mortgagee's Mortgage or Primary Lease to this Lease.

(b) Attornment. Tenant shall attorn to any party succeeding to Landlord's interest in the Premises, whether by purchase, foreclosure, deed in lieu of foreclosure, power of sale, termination of lease, or otherwise, upon such party's request, and shall execute such agreements confirming such attornment as such party may reasonably request.

(c) Notice to Landlord's Mortgagee. Tenant shall not seek to enforce any remedy it may have for any default on the part of Landlord without first giving written notice by certified mail, return receipt requested, specifying the default in reasonable detail, to any Landlord's Mortgagee whose address has been given to Tenant, and affording such Landlord's Mortgagee a reasonable opportunity to perform Landlord's obligations hereunder.

(d) Landlord's Mortgagee's Protection Provisions. If Landlord's Mortgagee shall succeed to the interest of Landlord under this Lease, Landlord's Mortgagee shall not be: (i) liable for any act or omission of any prior lessor (including Landlord); (ii) bound by any rent or additional rent or advance rent which Tenant might have paid for more than the current month

to any prior lessor (including Landlord), and all such rent shall remain due and owing, notwithstanding such advance payment; (iii) bound by any security or advance rental deposit made by Tenant which is not delivered or paid over to Landlord's Mortgagee and with respect to which Tenant shall look solely to Landlord for refund or reimbursement; (iv) bound by any termination, amendment or modification of this Lease made without Landlord's Mortgagee's consent and written approval, except for those terminations, amendments and modifications permitted to be made by Landlord without Landlord's Mortgagee's consent pursuant to the terms of the loan documents between Landlord and Landlord's Mortgagee; (v) subject to the defenses which Tenant might have against any prior lessor (including Landlord); and (vi) subject to the offsets which Tenant might have against any prior lessor (including Landlord) except for those offset rights which (A) are expressly provided in this Lease, (B) relate to periods of time following the acquisition of the Building by Landlord's Mortgagee, and (C) Tenant has provided written notice to Landlord's Mortgagee and provided Landlord's Mortgagee a reasonable opportunity to cure the event giving rise to such offset event. Landlord's Mortgagee shall have no liability or responsibility under or pursuant to the terms of this Lease or otherwise after it ceases to own an interest in the Building. Nothing in this Lease shall be construed to require Landlord's Mortgagee to see to the application of the proceeds of any loan, and Tenant's agreements set forth herein shall not be impaired on account of any modification of the documents evidencing and securing any loan.

25. Landlord Transfer. Landlord may transfer all or any portion of the Premises and any of its rights under this Lease. If Landlord assigns its rights under this Lease, then Landlord shall thereby be released from any further obligations hereunder arising after the date of transfer, provided that the assignee assumes Landlord's obligations hereunder in writing.

26. Landlord's Lien/Security Agreement. In consideration of the letting of the Premises and other good and valuable consideration, receipt of which is hereby acknowledged, and to secure all of Tenant's obligations to Landlord pursuant to this Lease, Tenant hereby grants a security interest to Landlord in each of the following property of Tenant, whether not owned or hereinafter acquired (capitalized terms have the same meanings as given to such terms in the Uniform Commercial Code of the State of Tennessee): all Accounts, all Equipment, all Promissory Notes, all Instruments, all Fixtures, all General Intangibles, all Deposit Accounts, all Inventory, all Chattel Paper, all furniture, all operating accounts, and to the extent permitted by applicable Law, all licenses, permits, provider agreements, certificates of needs, and other authorizations issued or held by Tenant with respect to the operation of a surgery center, and all other personal property interests of Tenant whether now existing or hereinafter acquired and all proceeds of the foregoing. Tenant hereby authorizes Landlord to file a financing statement in connection with such rights with both the Secretary of State of Tennessee and Wilson County Register of Deeds. Tenant shall pay all costs and expenses related to the filing of such financing statements including, but not limited to, any privilege or indebtedness tax. Upon the occurrence of an Event of Default, Landlord may, in addition to all other remedies, without notice or demand except as provided below, exercise the rights afforded to a secured party under the Uniform Commercial Code of the State of Tennessee (the "UCC"). To the extent the UCC requires Landlord to give Tenant notice of any act or event and such notice cannot be validly waived before a default occurs, then ten-days' prior written notice thereof shall be reasonable notice of the act or event. The security interest granted by this Section 26 shall be in addition to

any lien of Landlord that may now or at any time hereafter be provided by law. In the event Landlord exercises its remedies to foreclose the security interest created under this Section 26 or elsewhere in this Lease, Tenant shall cooperate with Landlord in transferring all of the aforementioned items promptly as requested by Landlord in Landlord's or its designee's name or for the benefit of Landlord. This Section and Landlord's rights and remedies hereunder shall survive the termination of the Lease.

27. Mechanics' Liens. Tenant shall have no authority, express or implied, to create or place any lien or encumbrance, of any kind or nature whatsoever upon, or in any manner to bind, the interest of Landlord in the Premises or to charge the rentals payable hereunder for any claim in favor of any person dealing with Tenant, including those who may furnish materials or perform labor for any construction or repairs. Tenant shall immediately discharge any liens attaching to the Premises. In addition, Tenant covenants and agrees that it will pay or cause to be paid all sums legally due and payable by it on account of any labor performed or materials furnished in connection with any work performed on the Premises on which any lien is or can be validly and legally asserted against its leasehold interest in the Premises or the improvements thereon and that it will save and hold Landlord harmless from any and all liability, cost or expense, including without limitation, court costs and attorneys' fees, based on or arising out of asserted claims or liens against the right, title and interest of Landlord in the Premises or under the terms of this Lease.

28. Late Payments. In the event any installment of any the rent owed by Tenant hereunder is not paid when due, Tenant shall pay a late charge equal to five percent (5%) of the amount due. The parties agree that such charge is a fair and reasonable estimate of Landlord's administrative expense incurred on account of late payment. Should Tenant make a partial payment of past due amounts, the amount of such partial payment shall be applied first to reduce all accrued and unpaid late charges, in inverse order of their maturity, and then to reduce all other past due amounts, in inverse order of their maturity. In addition, all amounts payable by Tenant to Landlord under this Lease, if not paid within ten (10) days of when due, shall bear interest from the date due until paid, at a rate equal to the lesser of ten percent (10%) or the maximum lawful rate (the "**Default Rate**").

29. Force Majeure. In the event that either party hereto shall be delayed, hindered or prevented from performing any act or obligation required hereunder by reason of strikes, lockouts, labor troubles, inability to procure materials, power failure, riots, insurrection, war, act of God or nature, or other similar cause not the fault of the party delayed in performing such act, the period of time for performance shall be extended for a period equivalent to the period of such delay. Notwithstanding the foregoing, this paragraph shall not operate to excuse, extend or abate Tenant's obligation to pay rent, or other sums due hereunder.

30. Attorneys' Fees. If Landlord brings any action under this Lease or engages an attorney to enforce or take any action related to the enforcement of this Lease (including, without limitation, sending a demand or breach notice to the Tenant), Landlord shall be entitled to collect from Tenant all court costs, reasonable attorneys fees and litigation expenses, including, but not limited to, costs of depositions and expert witnesses, that Landlord incurs in connection with such action or enforcement.

31. Non-Waiver. No failure by Landlord in one or more instances to insist upon strict performance or observance of one or more of the covenants or conditions hereunder or to exercise any power granted to it under this Lease, and no custom or practice of the parties at variance with the terms hereof, shall constitute a waiver of Landlord's right to demand exact compliance with the terms hereof. The receipt by Landlord of rent or of any other payment required to be made by Tenant, or any part thereof, shall not be a waiver of any other rents or payments then due, nor shall such receipt, though, with knowledge of the breach of any covenant or condition, operate as or be deemed to be a waiver of such breach. No waiver by Landlord of any of the provisions hereof, or any of Tenant's rights, remedies, privileges or options hereunder, shall be deemed to have been made unless made in writing by Landlord. If Landlord shall consent to the assignment of this Lease or, to a subletting of all or any portion of the Premises, no further assignment or subletting shall be made without first obtaining the written consent of Landlord.

32. Removal of Fixtures, Etc. at Termination of Lease. It is agreed by the parties to this Lease that at the termination of this Lease, in the event Tenant is not in default, Tenant may remove from the Premises all of Tenant's furniture, trade fixtures and equipment that are not affixed or attached to the Building; provided, however, that if any damage to the Premises or the Building results from said removal, such damage shall be immediately repaired by Tenant at Tenant's cost.

33. Notices. Any notices, approvals or consents required to be given by or on behalf of either party upon the other shall be in writing, and shall be given by hand delivery, certified mail, or nationally recognized overnight carrier (such as FedEx) addressed as follows, or to such other addresses as may be specified from time to time in writing delivered by one party to the other in accordance with this paragraph:

If to Landlord:

SSCA REAL ESTATE INVESTORS OF
LEBANON, LLC
9206 Concord Road
Brentwood, TN 37027
Telephone: (931) 801-2558
Fax: _____

If to Tenant:

LEBANON HEALTHCARE PARTNERS, LLC
9206 Concord Road
Brentwood, TN 37027
Telephone: _____
Fax: _____

34. Successors and Assigns. This Lease shall be binding upon the parties hereto, their respective heirs, personal representatives, successors and assigns.

35. Holding Over. If after expiration of the Term, Tenant remains in possession of the Premises, Landlord may, at its option, serve notice upon Tenant that such hold-over constitutes either: (a) a month-to-month tenancy upon all the provisions of this Lease (except as to Term and Base Rent); or (b) a tenancy at sufferance. If Landlord does not give said notice, Tenant's hold-over shall create a tenancy at sufferance, subjecting Tenant to all the covenants and obligations of this Lease. In either event, the monthly installments of Base Rent shall be increased to one hundred fifty percent (150%) of the monthly installments of Base Rent in effect at the expiration of the Term. If a month-to-month tenancy is created, either party may terminate such tenancy by giving the other party at least thirty (30) days advance notice of the date of termination. The provisions of this Article shall not constitute a waiver by Landlord of any right of re-entry as otherwise available to Landlord, nor shall receipt of any rent or any other act appearing to affirm the tenancy operate as a waiver of the right to terminate this Lease for a breach by Tenant hereof.

36. Entire Agreement. The submission of this document for examination and negotiation does not constitute an offer to lease, or a reservation of, or option for, the Premises. This document shall become effective and binding only upon execution and delivery hereof by Tenant and by Landlord (or, when duly authorized, by Landlord's agent or employee). This Lease contains the entire agreement of the parties and no representation, inducements, promises or agreements, oral or otherwise, between the parties not contained herein shall be of any force or effect.

37. Brokerage Commissions. Landlord and Tenant warrant and represent to each other that they have not employed or dealt with any real estate agents or brokers relative to the leasing of the Premises, and each party indemnifies and holds the other harmless from and against any liability, claims, costs and expenses, including, without limitation, court costs and attorneys' fees incurred, to any agents or brokers with whom such party may have dealt.

38. Governing Law and Venue. The validity of this Lease, the interpretation of the rights and duties of the parties hereunder and the construction of the terms hereof shall be governed in accordance with the laws of the State of Tennessee. The parties agree that the state courts located in Davidson County, Tennessee, will be the sole venue and will have sole jurisdiction for the resolution of all disputes arising hereunder. Process in any action or proceeding referred to in the preceding sentence may be served on any party anywhere in the world.

39. Captions. The captions inserted in this Lease are for convenience only and in no way define, limit or otherwise describe the scope or intent of this lease, or any provision hereof, or in any way affect the interpretation of this lease.

40. Estoppel Certificates. Tenant agrees from time to time within ten (10) days after request therefor, to deliver to Landlord, or Landlord's designee, an estoppel certificate stating that this Lease is in full force and effect, the date to which rent has been paid, the unexpired term of this Lease and such other matters pertaining to this Lease as may be reasonably requested by Landlord. It is understood and agreed that Tenant's obligation to furnish such an estoppel certificate in a timely fashion is a material inducement for Landlord's execution of this Lease.

41. Amendment or Modification. This Lease may not be altered, changed, modified or amended except by an instrument in writing signed by both parties hereto.

42. Survival. All obligations of Tenant hereunder not fully performed as of the expiration or earlier termination of the Term shall survive the expiration or earlier termination of the Term hereof, including, without limitation, all indemnities and payment obligations.

43. Severability. In the event any term or provision hereof shall be determined by a court of competent jurisdiction to be unenforceable, the remainder hereof shall survive and the unenforceable provision shall be reformed to form an enforceable provision consistent with the intent of the parties as evidenced herein.

44. Exhibits. Landlord and Tenant acknowledge and agree that all Exhibits referenced in this Lease are attached hereto and incorporated herein by reference.

45. Security Deposit. Upon the execution of this Agreement, Tenant hereby agrees to pay to Landlord a security deposit of \$20,000 (the "Security Deposit"). Upon the occurrence of any Event of Default by Tenant, Landlord may, from time to time, without prejudice to any other remedy, use the Security Deposit to the extent necessary to make good any arrears of Rent including, but not limited to, the cost of any damage, injury, expense, or liability caused by any Event of Default by Tenant hereunder. Any remaining balance of the Security Deposit shall be returned by Landlord to Tenant within a reasonable period of time after the termination or expiration of this Lease and the satisfaction of Tenant's obligations hereunder. The Security Deposit shall not be considered an advance payment of rental or a measure of Landlord's damages in case of default by Tenant. Tenant shall not be entitled to receive and shall not receive any interest on the Security Deposit, and Landlord may commingle the same with other monies of Landlord. In the event Landlord applies the Security Deposit or any portion thereof to the payment of any sum described above and this Lease is not terminated, Tenant shall immediately deposit with Landlord an amount of money equal to the amount so applied and such amount shall be deemed to be part of the Security Deposit. In the event of a sale or transfer of Landlord's interest in the Premises, Landlord shall have the right to transfer the Security Deposit to the purchaser or lessor, as the case may be, and upon any such transfer Landlord shall be relieved of all liability to Tenant for the return of the Security Deposit, and Tenant shall look solely to the new owner or lessor for the return of the Security Deposit.

46. Limitation of Landlord's Personal Liability. Tenant specifically agrees to look solely to Landlord's equity interest in the Premises for the recovery of any monetary judgment against Landlord, it being agreed that Landlord (and its partners, members and shareholders) shall never be personally liable for any such judgment. The provision contained in the foregoing sentence is not intended to, and shall not, limit any right that Tenant might otherwise have to obtain injunctive relief against Landlord or Landlord's successors in interest or any suit or action in connection with enforcement or collection of amounts which may become owing or payable under or on account of insurance maintained by Landlord.

47. Surrender of Premises. Upon the termination of this Lease by lapse of time or otherwise or upon the earlier termination of Tenant's right of possession, Tenant shall quit and surrender possession of the Premises to Landlord, broom clean, in the same good condition as upon delivery of possession to Tenant hereunder, normal wear and tear excepted. Before surrendering possession of the Premises, Tenant shall, without expense to Landlord, remove all signs, furnishings, equipment, trade fixtures, merchandise and other personal property installed or placed in the Premises and all debris and rubbish, and Tenant shall repair all damage to Premises resulting from such removal. If Tenant fails to remove any of the signs, furnishings, equipment, trade fixtures, merchandise and other personal property installed or placed in the Premises by the expiration or termination of this Lease, then Landlord may, at its sole option, (i) treat Tenant as a holdover, in which event the provisions of this Lease regarding holding over shall apply; (ii) deem any or all of such items abandoned and the sole property of Landlord; or (iii) remove any and all such items and dispose of same in any manner. Tenant shall pay Landlord on demand any and all expenses incurred by Landlord in the removal of such items, including, without limitation, the cost of repairing any damage to the Premises caused by such removal and storage charges (if Landlord elects to store such property).

48. Construction Plans and Landlord Termination Right.

(a) The plans and specifications for the Premises, including, without limitation, the proposed surgery center are to be developed and completed within a reasonable period of time following the execution of this Lease, with such plans and specifications to be in a form reasonably acceptable to both Landlord and Tenant.

(b) Landlord shall have the unilateral right to terminate this Lease, without liability or penalty to Tenant, prior to the Commencement Date for any of the following reasons: (i) Landlord determines, in its sole and absolute discretion, that the construction costs for the site work, Building, and other portions of the Premises are not acceptable; or (ii) the Landlord and Tenant are unable to agree on mutually acceptable plans and specifications; or (iii) Landlord determines in its sole and absolute discretion that market conditions for the surgery center in the area are no longer acceptable, or (v) Landlord determines in its sole and absolute discretion that its development plan for the Premises or the surgery center is not acceptable to Landlord; or (vi) Landlord receives notice that Tenant has received an adverse decision related to its licensure or the certificate of need. This Lease shall terminate effective upon Landlord's sending notice to Tenant that any one or more of the following conditions have occurred. Neither Landlord nor Tenant will have any further obligation under this Lease following a termination pursuant to this Section 48.

49. Drafting Ambiguities; Interpretation. In interpreting any provision of this Lease, no weight will be given to nor will any construction or interpretation be influenced by the fact that counsel for one of the parties drafted this Lease, each party recognizing that it and its counsel have had an opportunity to review this Lease and have contributed to the final form of this Lease.

50. Medical Waste. Tenant shall, at its expense and in compliance with all applicable Laws and regulations, properly maintain and dispose of Medical Waste (as hereinafter defined) with such disposal to be by a medical waste disposal company approved by Landlord. Tenant

shall not cause or permit the release or disposal of any Medical Waste on or about the Premises or the Building. Medical Waste shall be kept by Tenant in proper containers until disposal of such Medical Waste. The term "Medical Waste" shall be broadly defined to include, without limitation, any product or waste which customarily or under applicable Law is considered medical waste, all waste resulting from services to patients or medical procedures performed by Tenant, pathological waste, blood, sharps, wastes from surgery or autopsy, laboratory waste, dialysis waste, cultures and stock of infectious agents and associated biological agents, isolation wastes, contaminated animals, contaminated equipment, isolated wastes, various other biological waste and discarded materials contaminated with or exposed to blood, excretions, secretions or tissue from human beings or animals, all gauze, bandages, instruments, syringes, needles, drugs and every other item of any nature used in connection with medical and patient services.

51. Regulatory Matters.

(a) Landlord and Tenant entered into this Lease with the intent of conducting their relationship and implementing the agreements contained herein in full compliance with applicable federal, state and local law, including without limitation, the Medicare/Medicaid Anti-Kickback statute (the "Anti-Kickback Law") and Section 1877 of the Social Security Act (the "Stark Law"), as amended. Notwithstanding any unanticipated effect of any of the provisions of this Lease, neither party will intentionally conduct itself under the terms of this Lease in a manner that would constitute a violation of the Anti-Kickback Law or the Stark Law. Without limiting the generality of the foregoing, Landlord and Tenant expressly agree that: nothing contained in this Lease shall require either party to refer any patients to the other, or to any affiliate or subsidiary of the other.

(b) Notwithstanding any provision of this Agreement to the contrary, in the event that any party to it is advised by qualified counsel (a "Determination") that it is more likely than not that any applicable Law in effect or to become effective as of a date certain, or in the event any party receives notice ("Notice") of an actual or threatened decision, finding or action by any governmental or private agency or court (collectively, an "Action"), which Law or Action, if or when implemented, would have the effect of subjecting either party to civil or criminal prosecution under state and/or federal law or other adverse proceeding because of their participation herein, then the parties shall attempt to amend this agreement to the extent necessary in order to comply with such Law or to avoid the Action, as applicable. If, within thirty (30) days of providing written notice of such Determination or Notice to the other party, the parties, acting in good faith, are unable to agree upon and make amendments or alterations to this Lease to meet the requirements in question or, alternatively, the parties mutually determine that compliance with such requirement is impossible or unfeasible, then this Lease shall terminate without penalty, charge or continuing liability upon the earlier of: (a) sixty (60) days following the date upon which any party gave written notice to the other or (b) the effective date on which the Law or Action prohibits the relationship of the parties pursuant to this Lease.

(c) For purposes of this Lease, the term "Law" shall mean the common law and all statutes, rules, regulations, ordinances, orders, codes, permits, licenses, policies, and guidelines of federal, state, local and foreign governmental and regulatory authorities (including, without limiting the generality of the foregoing, any of the same which terminates, disqualifies, or

otherwise adversely affects a person's (including any party hereto) reimbursement or right to payment from, or participation with, any payor, including, without limitation: the Stark Law (42 U.S.C. §§ 1395nn and 1396b), Civil Monetary Penalties (42 U.S.C. § 1320a-7a), the Federal Anti-Kickback Statute (42 U.S.C. § 1320a-7b), the Civil False Claims Act (31 U.S.C. §§ 3729 et seq.), Criminal Fraud and False Claims Acts (including 18 U.S.C. §§ 287, 371, 664, 666, 669, 1001, 1027, 1035, 1341, 1347, 3013, and 3571), EMTALA (42 U.S.C. §1395dd), the Tennessee Physician's Conflict of Interest Disclosure Act (T.C.A. §§ 63-6-501 et seq.), T.C.A. §§ 63-6-601 et seq., and T.C.A. § 63-6-225, together with all amendments thereto), or any applicable accreditation agencies (including, but not limited to JCAHO), and any order, writ, injunction or decree issued by any court, arbitrator or governmental agency or in connect with any judicial, administrative or other non-judicial proceeding (including, without limitation, arbitration or reference).

(Remainder of page intentionally left blank)

IN WITNESS WHEREOF, the parties hereto have executed this Lease to be effective as of the Effective Date.

LANDLORD:

SSCA REAL ESTATE INVESTORS OF
LEBANON, LLC, a Tennessee limited liability
company

By: _____

Title: _____

TENANT:

LEBANON HEALTHCARE PARTNERS, LLC,
a Tennessee limited liability company

By: _____

Title: _____

EXHIBIT A
LEGAL DESCRIPTION

EXHIBIT B — COMMENCEMENT DATE AGREEMENT

This Agreement is made and entered into as of the ____ day of _____, 2013 between SSCA Real Estate Investors of Lebanon, LLC, a Tennessee limited liability company (the "Landlord"), and Lebanon Healthcare Partners, LLC, a Tennessee limited liability company (the "Tenant") and shall be attached to and made a part of that certain Lease between Landlord and Tenant dated _____, 2013 (the "Lease"). Pursuant to the provisions of the Lease, Landlord and Tenant intending to be legally bound hereby, agree to the following:

- a. The Commencement Date of the Lease occurred on the ____ day of _____, ____.
- b. The rentable square footage of the Building is _____. Based on such rentable square footage, the Base Rent until the first anniversary of the Commencement Date is \$_____ per Lease Year, payable in accordance with Section 3 of the Lease in the amount of \$_____ per month. Base Rent to increase in accordance with the Lease.
- c. Tenant agrees that, as of and through the date hereof, Landlord has fully and timely complied with and performed each and every of its obligations as set forth in the Lease and that Tenant has no claims or causes of action against Landlord whatsoever and has no right to any setoffs against any and all sums due Landlord.

IN WITNESS WHEREOF, the parties have duly executed this supplement to the Lease as of the day and year first above written

LANDLORD:

SSCA REAL ESTATE INVESTORS OF
LEBANON, LLC, a Tennessee limited liability
company

By: _____

Title: _____

TENANT:

LEBANON HEALTHCARE PARTNERS, LLC,
a Tennessee limited liability company

By: _____

Title: _____



LOT/LAND PURCHASE AND SALE AGREEMENT

1. **Purchase and Sale.** For and in consideration of the mutual covenants herein and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the undersigned buyer SSCA Real Estate Investors of Lebanon, ("Buyer") agrees to buy and the undersigned seller West Harbor Properties LLC, ("Seller") agrees to sell all that tract or parcel of land, with such improvements as are located thereon, described as follows:

All that tract of land known as: 1820 W. Main Street

(Address) Lebanon (City), Tennessee, 37087 (Zip), as recorded in Wilson County Register of Deeds Office, deed book(s), _____ page(s), and/or _____ instrument number and as further described as:

1.65 acres fronting Blair Lane as illustrated in attached site plan of Tax Map 57, Parcel 85.00

together with all fixtures, landscaping, improvements, and appurtenances, all being hereinafter collectively referred to as the "Property."

- ☒ **This box must be checked to be part of this Agreement.** The full and legal description of said Property is as described in the attached "Legal Description Exhibit."

A. **LEASED ITEMS.** Leased items that remain with the Property (e.g. fuel tank, etc.) _____ Future lease payments shall be the responsibility of _____. If leases are not assumable, it will be Seller's responsibility to pay balance.

B. **FUEL.** Fuel, if any, will be adjusted and charged to the Buyer and credited to the Seller at Closing at current market prices.

2. **Purchase Price, Method of Payment and Closing Expenses.** Buyer warrants that, except as may be otherwise provided herein, Buyer will at Closing have sufficient cash to complete the purchase of the Property under the terms of this Lot/Land Purchase and Sale Agreement (hereinafter "Purchase and Sale Agreement" or "Agreement"). The purchase price to be paid is: \$ 395,000 three hundred ninety five thousand U.S. Dollars, ("Purchase Price") which shall be disbursed at Buyer's expense and paid to Seller or Seller's Closing Agency in the same form as deemed acceptable under the Tennessee Residential Closing Funds Distribution Act of 2005, as amended in Tenn. Code Ann. § 47-32-101, et seq. This price is based (Select one. The sections not checked are not a part of this Agreement.):

- ☒ for entire Property as a tract, and not by the acre OR
☐ per acre with the Purchase Price to be determined by the actual amount of acreage of the Property, \$ _____ per acre based on a current or mutually acceptable survey OR
☐ for entire Property as a tract but with the Purchase Price to be adjusted upward or downward at \$ _____ per acre in the event the actual amount of acreage of the Property based on a current or mutually acceptable survey should vary more or less than _____ acre(s) from the _____ estimated acreage.

A. **Appraisal (Select either 1 or 2 below. The sections not checked are not a part of this Agreement).**

- ☐ 1. This Agreement IS NOT contingent upon the appraised value either equaling or exceeding the agreed upon Purchase Price.
☒ 2. This Agreement IS CONTINGENT upon the appraised value either equaling or exceeding the agreed upon Purchase Price. If appraised value is equal to or exceeds the Purchase Price, this contingency is satisfied. If the appraised value of the Property does not equal or exceed the Purchase Price, the Buyer may terminate this Agreement by providing written notice to the Seller and providing written proof of the same (for example, this written proof could include, but is not limited to, a copy of appraisal or a signed letter from Lender) via the Notification form or equivalent written notice. Upon termination, Buyer is entitled to a refund of the Earnest Money.



B. Closing Costs and Discount Points:

1. **Seller Expenses.** Seller shall pay all existing loans affecting the Property, including all penalties, release preparation costs, and applicable recording costs; Seller's closing fee, document preparation fee and/or attorney's fees; fee for preparation of deed; and notary fee on deed. Seller additionally agrees to permit any withholdings and/or to pay any additional sum due as is required under the Foreign Investment Tax Act. Failure to do so will constitute a default by Seller.

In the event Seller is subject to Tax Withholding as required by the Foreign Investment Tax Act, (hereinafter "FIRPTA"), Seller additionally agrees that such Tax Withholding must be collected from Seller by Buyer's Closing Agent at the time of Closing. In the event Seller is not subject to FIRPTA, Seller shall be required as a condition of Closing to sign appropriate affidavits certifying that Seller is not subject to FIRPTA. It is Seller's responsibility to seek independent tax advice or counsel prior to the Closing Date regarding such tax matters.

2. **Buyer Expenses.** Buyer shall pay all transfer taxes and recording fees on deed of conveyance and deed of trust; Buyer's closing fee, document preparation fee and/or attorney's fees; preparation of note, deed of trust, and other loan documents; mortgage loan inspection or boundary line survey; credit report; required premiums for private mortgage, hazard and flood insurance; required reserved deposits for insurance premiums and taxes; prepaid interest; re-inspection fees pursuant to appraisal; and any costs incident to obtaining and closing a loan, including but not limited to: appraisal, origination, discount points, application, commitment, underwriting, document review, courier, assignment, photo, tax service and notary fees.

3. **Title Expenses.** Cost of title search or abstract, mortgagee's policy and owner's policy shall be paid as follows:
Buyer's title insurance premium and transfer tax to be paid by the seller
Buyer to receive benefit of simultaneous issue.

Not all of the above items are applicable to every transaction and may be modified as follows:

Closing Agency for Buyer: Hardison Land Title Company, Columbia TN

Closing Agency for Seller:

Title Company:

or other Closing Agency as mutually agreed by Seller and Buyer.

- C. **Financial Contingency – Loan(s) To Be Obtained:** This Agreement is conditioned upon Buyer's ability to obtain a loan(s) in the principal amount up to _____ % of the Purchase Price listed above to be secured by a deed of trust on the Property. "Ability to obtain" as used herein means that Buyer is qualified to receive the loan described herein based upon Lender's customary and standard underwriting criteria. In the event Buyer, having acted in good faith and in accordance with the terms below, is unable to obtain financing, Buyer may terminate this Agreement by providing written notice and a copy of Lender's loan denial letter via the Notification form or equivalent written notice. Upon termination, Buyer is entitled to a refund of the Earnest Money. Lender is defined herein as the financial institution funding the loan.

The loan shall be of the type selected below (Select the appropriate boxes. Unselected items will not be part of this Agreement):

- | | |
|---|--|
| <input type="checkbox"/> Conventional Loan | <input type="checkbox"/> FHA Loan; attach addendum |
| <input type="checkbox"/> VA Loan; attach addendum | <input type="checkbox"/> Other _____ |

Loan Obligations: The Buyer agrees and/or certifies as follows:

- (1) Within five (5) days after the Binding Agreement Date, Buyer shall make application for the loan and instruct Lender to order credit report and appraisal. Buyer shall immediately notify Seller or Seller's representative of having applied for the loan, the Lender's name and contact information, and that Buyer has instructed Lender to order credit report and appraisal via the Notification form or equivalent written notice;
- (2) Buyer shall pay any required fees necessary to complete full loan processing and approval, as soon as permissible as established by governmental regulations. Buyer shall notify Seller when the fees have been paid via the Notification form or equivalent written notice;
- (3) Buyer shall pursue qualification for and approval of the loan diligently and in good faith;



- (4) Buyer shall continually and immediately provide requested documentation to Lender;
- (5) Unless otherwise stated in this Agreement, Buyer represents that this loan is not contingent upon the lease or sale of any other real property and the same shall not be used as the basis for loan denial; and
- (6) Buyer shall not intentionally make any material changes in Buyer's financial condition which would adversely affect Buyer's ability to obtain the Primary Loan or any other loan referenced herein.

Should Buyer fail to timely comply with 2.C.(1) above, Seller may make written demand for compliance via the Notification form or equivalent written notice. If Buyer does not furnish Seller written evidence of application by providing Lender's name and contact information and notification that Buyer has instructed Lender to order appraisal and credit report within one (1) day after such notice, Seller's obligation to sell is terminated and Buyer shall be considered in default. Buyer may also apply for a loan with different terms and conditions and also close the transaction provided all other terms and conditions of this Agreement are fulfilled, and the new loan does not increase any costs charged to Seller. Buyer shall be obligated to close this transaction if Buyer has the ability to obtain a loan with terms as described herein and/or any other loan for which Buyer has applied and been approved. Within twenty (20) days after Binding Agreement Date, Buyer shall provide to Seller or Seller's representative a conditional commitment letter from the Buyer's Lender providing reasonable assurance of Buyer's ability to obtain the financing contemplated by this Agreement. Said letter shall be in a form and substance acceptable to Seller at Seller's reasonable discretion; however, a letter from Lender verifying the following shall be deemed acceptable:

- a. An appraisal has been ordered;
- b. Buyer has available funds to close;
- c. Buyer's credit is acceptable to Lender; and
- d. Buyer has employment or income necessary to obtain said loan.

Seller shall have the right to terminate this Agreement with written notice to Buyer if said letter is not timely received, in which case Earnest Money shall be returned to Buyer.

THIS BOX MUST BE CHECKED IN ORDER FOR IT TO BE A PART OF THIS AGREEMENT.

☐ **Financing Contingency Waived** (e.g. "All Cash", etc.);

Buyer's obligation to close shall not be subject to any financial contingency. Buyer reserves the right to obtain a loan. Buyer will furnish proof of available funds to close in the following manner: _____
(e.g. bank statement, Lender's commitment letter) within five (5) days after Binding Agreement Date. Failure to close due to lack of funds shall be considered default by Buyer.

3. **Earnest Money.** Buyer has paid or will pay within _____ days after the Binding Agreement Date to _____ (name of Holder) ("Holder") located at _____ (address of Holder), an Earnest Money deposit of \$ _____ by check (OR _____) ("Earnest Money"). In the event any Earnest Money check is not honored, for any reason, by the bank upon which it is drawn, Holder shall promptly notify Buyer and Seller. Buyer shall have one (1) day after notice to deliver good funds to Holder. In the event Buyer does not timely deliver good funds, the Seller shall have the right to terminate this Agreement upon written notice to Buyer via the Notification form or equivalent written notice. Earnest Money is to be deposited promptly after the Binding Agreement Date or the agreed upon delivery date in this Earnest Money paragraph or as specified in the Special Stipulations paragraph contained at paragraph 15 herein. Holder shall disburse Earnest Money only as follows:

- (a) at Closing to be applied as a credit toward Buyer's Purchase Price;
- (b) upon a written agreement signed by all parties having an interest in the funds;
- (c) upon order of a court or arbitrator having jurisdiction over any dispute involving the Earnest Money;
- (d) upon a reasonable interpretation of the Agreement;
- (e) upon the filing of an interpleader action with payment to be made to the clerk of the court having jurisdiction over the matter.

Holder shall be reimbursed for, and may deduct from any funds interpleaded, its costs and expenses, including reasonable attorney's fees. The prevailing party in the interpleader action shall be entitled to collect from the other party the costs and expenses reimbursed to Holder. No party shall seek damages from Holder (nor shall Holder be liable for the same) for any matter arising out of or related to the performance of Holder's duties under this Earnest Money



paragraph. Earnest Money shall not be disbursed prior to fourteen (14) days after deposit unless written evidence of clearance by bank is provided.

4. Closing and Possession.

A. Closing Date. This transaction shall be closed ("Closed") (evidenced by delivery of warranty deed and payment of Purchase Price, the "Closing"), and this Agreement shall expire at 11:59 p.m. local time on the 30 day of June, 2013 ("Closing Date"), or on such earlier date as may be agreed to by the parties in writing. Such expiration does not extinguish a party's right to pursue remedies in the event of default. Any extension of this date must be agreed to by the parties in writing via the Closing Date/Possession Date Amendment or equivalent written agreement.

1. Possession. Possession of the Property is to be given (Select the appropriate boxes below. Unselected items will not be part of this Agreement):

- ☒ with delivery of warranty deed and payment of Purchase Price; or
☐ on _____ at _____ o'clock ☐ am/ ☐ pm, local time; or
☐ no later than _____ o'clock ☐ am/ ☐ pm, local time on the _____ day after Closing.

☐ Occupancy Agreement Attached.

B. Prorations. Real estate taxes, rents, dues, maintenance fees, and association fees on said Property for the calendar year in which the sale is Closed shall be prorated as of the Closing Date. In the event of a change or reassessment of taxes for the calendar year after Closing, the parties agree to pay their recalculated share. Real estate taxes, rents, dues, maintenance fees, and association fees for prior years and roll back taxes, if any, will be paid by Seller.

C. Special Assessments. Special Assessments approved or levied prior to the Closing Date shall be paid by the Seller at or prior to Closing unless otherwise agreed as follows:

D. Leased Items. Leased items that remain with the Property are (e.g. billboards, irrigation systems, etc.):

Balances due shall be the responsibility of _____. If leases are not assumable, it will be Seller's responsibility to pay balance.

E. All association transfer and related administrative fees and/or costs affiliated with the transfer of property shall be paid by: Seller

5. Title and Conveyance.

A. Seller warrants that at the time of Closing, Seller will convey or cause to be conveyed to Buyer or Buyer's assign(s) good and marketable title to said Property by general warranty deed, subject only to

- (1) Zoning;
- (2) Setback requirements and general utility, sewer, and drainage easements of record on the Binding Agreement Date upon which the improvements do not encroach;
- (3) Subdivision and/or condominium declarations, covenants, restrictions, and easements of record on the Binding Agreement Date; and
- (4) Leases and other encumbrances specified in this Agreement.

If title examination, closing or loan survey pursuant to Tenn. Code Ann § 62-18-126, boundary line survey, or other information discloses material defects, Buyer may, at Buyer's discretion:

- (1) accept the Property with the defects OR
- (2) require Seller to remedy such defects prior to the Closing Date. Buyer shall provide Seller with written notice of such defects via the Notification form or equivalent written notice. If defects are not remedied prior to the Closing Date, Buyer may elect to extend the Closing Date by mutual written agreement evidenced by the Closing Date/Possession Amendment form or other written equivalent. If defects are not remedied and the Closing Date or any mutually agreed upon extension thereof, this Agreement shall terminate, and Buyer shall be entitled to a refund of Earnest Money.

Good and marketable title as used herein shall mean title which a title insurance company licensed to do business in Tennessee will insure at its regular rates, subject only to standard exceptions. The title search or abstract used for the purpose of evidencing good and marketable title must be acceptable to the title insurance agent and the issuing title insurance company. Seller agrees to execute such appropriate affidavits and instruments as may be required by the issuing title insurance company.



B. Deed. Deed to be made in the name of SSCA Real Estate Investors of Lebanon
The manner in which Buyer takes title determines ownership and survivorship rights. It is the Buyer's responsibility to consult the closing agency or attorney prior to Closing.

6. Inspections and other requirements made a part of this Agreement.

ALL INSPECTIONS ARE TO BE MADE AT BUYER'S EXPENSE. Buyer, its inspectors and/or representatives shall have the right and responsibility to enter the Property during normal business hours for the purpose of making inspections and/or tests. Buyer agrees to indemnify Seller for the acts of themselves, their inspectors and/or representatives in exercising their rights under this paragraph. Buyer shall make such inspections as indicated in this paragraph and either accept the Property in its present condition by written notice to Seller or terminate the Agreement as provided for in each section marked below.

[Select any or all of the following stipulations. Unselected items are not a part of this Agreement.]

- ☒ **A. Feasibility Study.** Buyer shall have the right to review all aspects of the Property, including, without limitation, all governmental, zoning, soil and utility service matters related thereto. If Buyer provides a copy of the review reports along with written notification to Seller and/or Seller's Broker within 30 days after Binding Agreement Date that Buyer is not satisfied with the results of such review, then this Agreement shall automatically terminate and Broker shall promptly refund the Earnest Money to Buyer. If Buyer fails to provide report and notice, then this contingency shall be deemed to have been waived by Buyer. Seller acknowledges and agrees that Buyer and/or his agents and employees may have free access during normal business hours to visit the Property for the purpose of (1) inspection thereof and (2) conducting such soil and other tests thereon as are deemed reasonably necessary by Buyer. Buyer hereby agrees to indemnify and hold Seller, Broker, and Broker's Affiliated Licensees harmless from and against any and all loss, injury, cost, or expense associated with Buyer's inspection of and entry upon Property.
- ☒ **B. Building Permit.** This Agreement is contingent upon Buyer's ability to acquire all required licenses and permits from the appropriate governmental authority to make specific improvements on the Property. If Buyer provides a copy of the governmental report along with written notification to Seller and/or Seller's Broker within 60 days after the Binding Agreement Date that Buyer is unable to acquire all required licenses and permits from the appropriate governmental authority to make specific improvements on the Property, then in such event this Agreement shall automatically terminate and Holder shall promptly refund the Earnest Money to Buyer. If Buyer fails to provide said report and notice, then this contingency shall be deemed to have been waived by Buyer.
- ☐ **C. Permit for Sanitary Septic Disposal System.** This Agreement is contingent upon the Buyer's ability to obtain a permit for a sanitary septic disposal system from the respective Tennessee Ground Water Protection Office for the county in which the Property sits (generally, located at the local Health Department) on the Property in a location consistent with Buyer's planned improvements. If Buyer is unable to meet this condition, Buyer must notify Seller and/or Seller's Broker in writing within days after the Binding Agreement Date along with documentation reflecting denial of permit from the appropriate governmental entity. With proper notice, the Agreement is voidable by the Buyer and Earnest Money refunded. If Buyer fails to provide said notice, this contingency shall be deemed to have been waived by the Buyer.
- ☐ **D. Rezoning.** This Agreement is contingent upon the Property being rezoned to by the appropriate governmental authorities on or before . The (Buyer or Seller) shall be responsible for pursuing such rezoning, and paying all associated cost. All rezoning applications shall be submitted to Seller for Seller's approval prior to filing, which approval shall not be unreasonably withheld. All parties agree to cooperate, to sign the necessary documentation and to support the rezoning application. If Buyer provides documentation and written notification to Seller and/or Seller's Broker within 48 hours after the above date that the Property cannot be so zoned, then in such event this Agreement shall automatically terminate and Holder shall promptly refund the Earnest Money to Buyer. If Buyer fails to provide said documentation and notice, then this contingency shall be deemed to have been waived by Buyer.
- ☐ **E. Well Test.** This Agreement is contingent upon the well water serving the Property passing testing for suitability for drinking as performed by a testing laboratory selected by the Buyer, or required by Buyer's Lender prior to Closing. Buyer shall be responsible for ordering, supervising and paying for any such well water sample test. This Agreement shall also be contingent upon said well providing an adequate quantity of water to serve Buyer's intended purpose for the Property. If Buyer provides a copy of said test along with written notification to Seller and/or Seller's Broker within days after the Binding Agreement Date that test results are unacceptable, then in such event this Agreement shall automatically terminate and Holder shall promptly refund the Earnest Money to Buyer. If Buyer fails to provide said notice and report, then this contingency shall be deemed to have been waived by Buyer.
- ☒ **F. Other Inspections.** See Special Stipulations for additional inspections required by Buyer.



☐ **G. No Inspection Contingencies.** Buyer accepts the Property in its present condition. All parties acknowledge and agree that the Property is being sold "AS IS" with any and all faults.

7. Final Inspection. Buyer and/or his inspectors/representatives shall have the right to conduct a final inspection of Property no later than 1 days prior to Closing Date only to confirm Property is in the same or better condition as it was on the Binding Agreement Date, normal wear and tear excepted, and to determine that all repairs/replacements have been completed. Property shall remain in such condition until the Closing Date at Seller's expense. Closing of this sale constitutes acceptance of Property in its condition as of the time of Closing, unless otherwise noted in writing.

8. Disclaimer. It is understood and agreed that the real estate firms and real estate licensee(s) representing or assisting the Seller or Buyer and their brokers (collectively referred to as "Brokers") are not parties to this Agreement and do not have or assume liability for the performance or nonperformance of Seller or Buyer. Buyer and Seller agree that Brokers shall not be responsible for any of the following, including but not limited to those matters which could have been revealed through a survey, flood certification, title search or inspection of Property; for the condition of Property, any portion thereof, or any item therein; for the necessity or cost of any repairs to Property; for hazardous or toxic materials; for the tax or legal consequences of this transaction; for the availability, capability, and/or cost of utility, sewer, septic, or community amenities; for applicable boundaries of school districts or other school information; for the appraised or future value of Property; any condition(s) existing off Property which may affect Property; for the terms, conditions, and availability of financing; and for the uses and zoning of Property whether permitted or proposed. Buyer and Seller acknowledge that Brokers are not experts with respect to the above matters and that, if any of these matters or any other matters are of concern to them, they should seek independent expert advice relative thereto.

9. Brokerage. As specified by separate agreement, Seller agrees to pay Listing Broker at Closing the agreed upon compensation. The Listing Broker will direct the closing agency to pay the Selling Broker, from the compensation received, an amount in accordance with the terms and provisions specified by separate agreement. The parties agree and acknowledge that the Brokers involved in this transaction may receive compensation from more than one party. All parties to this Agreement agree and acknowledge that any real estate firm involved in this transaction shall be deemed a third party beneficiary and shall have the right to maintain an action on this Agreement for any and all compensations due and any reasonable attorney's fees and court costs.

10. Default. Should Buyer default hereunder, the Earnest Money shall be forfeited as damages to Seller and shall be applied as a credit against Seller's damages. Seller may elect to sue, in contract or tort, for additional damages or specific performance of the Agreement, or both. Should Seller default, Buyer's Earnest Money shall be refunded to Buyer. In addition, Buyer may elect to sue, in contract or tort, for damages or specific performance of this Agreement, or both. In the event that any party hereto shall file suit for breach or enforcement of this Agreement (including suits filed after Closing which are based on or related to the Agreement), the prevailing party shall be entitled to recover all costs of such enforcement, including reasonable attorney's fees.

11. Other Provisions.

A. Binding Effect, Entire Agreement, Modification, Assignment, and Binding Agreement Date. This Agreement shall be for the benefit of, and be binding upon, the parties hereto, their heirs, successors, legal representatives and assigns. This Agreement constitutes the sole and entire agreement between the parties hereto and no modification of this Agreement shall be binding unless signed by all parties or assigns to this Agreement. No representation, promise, or inducement not included in this Agreement shall be binding upon any party hereto. Any assignee shall fulfill all the terms and conditions of this Agreement. The parties hereby authorize either licensee to insert the time and date of receipt of the notice of acceptance of the final offer and further agree to be bound by such as the Binding Agreement Date following the signatory section of this Agreement, or Counter Offer, if applicable.

B. Survival Clause. Any provision contained herein, which by its nature and effect is required to be performed after Closing shall survive the Closing and delivery of the deed, shall remain binding upon the parties to this Agreement and shall be fully enforceable thereafter.

C. Governing Law and Venue. This Agreement is intended as a contract for the purchase and sale of real property and shall be interpreted in accordance with the laws and in the courts of the State of Tennessee.

D. Time of Essence. Time is of the essence in this Agreement.

E. Terminology. As the context may require in this Agreement: (1) the singular shall mean the plural and vice versa; (2) all pronouns shall mean and include the person, entity, firm or corporation to which they relate; (3) the masculine shall mean the feminine and vice versa; and (4) the term day(s) used throughout this Agreement shall be deemed to be calendar day(s) ending at 11:59 p.m. local time unless otherwise specified in this Agreement. Local time shall be determined by the location of Property. In the event a performance deadline, other than the Closing Date (paragraph 4), Date of Possession (paragraph 4), and Offer Expiration Date (paragraph 17), occurs on a Saturday, Sunday or legal holiday, the performance deadline shall extend to the next following business day. Holidays as used



herein are those days deemed federal holidays pursuant to 5 U.S.C. § 6103. In calculating any time period under this Agreement, the commencement day shall be the day following the initial date (e.g. Binding Agreement Date).

F. Responsibility to Cooperate. Buyer and Seller agree to timely take such actions and produce, execute, and/or deliver such information and documentation as is reasonably necessary to carry out the responsibilities and obligations of this Agreement. Except as to matters which are occasioned by clerical errors or omissions or erroneous information, the approval of the closing documents by the parties shall constitute their approval of any differences between this Agreement and the Closing. Buyer and Seller agree that if requested after Closing, they will correct any documents and pay any amounts due where such corrections or payments are appropriate by reason of mistake, clerical errors or omissions, or the result of erroneous information.

G. Notices. Except as otherwise provided herein, all notices and demands required or permitted hereunder shall be in writing and delivered either (1) in person; (2) by a prepaid overnight delivery service; (3) by facsimile transmission (FAX); (4) by the United States Postal Service, postage prepaid, registered or certified, return receipt requested; or (5) Email. NOTICE shall be deemed to have been given as of the date and time it is actually received. Receipt of notice by the real estate licensee or the Broker assisting a party as a client or customer shall be deemed to be notice to that party for all purposes under this Agreement as may be amended, unless otherwise provided in writing.

H. Risk of Loss. The risk of hazard or casualty loss or damage to Property shall be borne by the Seller until transfer of title. If casualty loss prior to Closing exceeds 10% of the Purchase Price, Seller or Buyer may elect to terminate this Agreement with a refund of Earnest Money to Buyer.

I. Equal Housing. This Property is being sold without regard to race, color, sex, religion, handicap, familial status, or national origin.

J. Severability. If any portion or provision of this Agreement is held or adjudicated to be invalid or unenforceable for any reason, each such portion or provision shall be severed from the remaining portions or provisions of this Agreement, and the remaining portions or provisions shall be unaffected and remain in full force and effect.

K. Property Delivery Condition. Seller shall deliver Property clean and free of debris at time of possession.

L. Other. In further consideration of Buyer's right to legally, properly and in good faith invoke a right to terminate this Agreement pursuant to any specific Buyer contingency as stated herein, Buyer agrees, upon Seller's request or as provided for in this Agreement, to provide Seller or Seller's representative with copies of any supporting documentation which supports Buyer's right to exercise said contingency, the sufficiency and adequacy of said consideration being acknowledged. Any such supporting documents shall be provided for Seller's benefit only and Seller shall not disseminate the same to third parties. However, Buyer shall not be required to provide any documents to Seller in violation of any confidentiality agreement or copyright protection laws, if applicable.

12. Buyer's Additional Due Diligence. If any of the matters below are of concern to the Buyer, Buyer should address the concern by specific contingency in the Special Stipulations paragraph of this Agreement.

A. Survey and Flood Certification. Survey Work and Flood Certifications are the best means of identifying boundary lines and/or encroachments and easements or flood zone classifications. Buyer may obtain a survey, closing loan survey or Boundary Line Survey and Flood Zone Certifications.

B. Water Supply. The system may or may not meet state and local requirements. It is the right and responsibility of the Buyer to determine the compliance of the system with state and local requirements. [For additional information on this subject, request the "Water Supply and Waste Disposal Notification" form.]

C. Waste Disposal. The system may or may not meet state and local requirements. It is the right and responsibility of Buyer to determine the compliance of the system with state and local requirements. In addition, Buyer may, for a fee, obtain a septic system inspection letter from the Tennessee Department of Environment and Conservation, Division of Ground Water Protection. [For additional information on this subject, request the "Water Supply and Waste Disposal Notification" form.]

D. Title Exceptions. At Closing, the general warranty deed will be subject to subdivision and/or condominium declarations, covenants, restrictions and easements of record, which may impose obligations and may limit the use of the Property by Buyer.

13. Exhibits and Addenda. All exhibits and/or addenda attached hereto, listed below, or referenced herein are made a part of this Agreement: _____

CRS Property Report, MLS listing, Site Plan "Lebanon -Alternate 3 1-15-13"



360 **14. Special Stipulations.** The following Special Stipulations, if conflicting with any preceding paragraph, shall control:

- 361 1. Seller to provide legal description per attached site plan equaling 1.65 acres
- 362
- 363 2. Financing acceptable to Buyer
- 364
- 365 3. Extension of Certificate of Need, CON 0906-036, for a minimum of twelve months
- 366
- 367 4. Phase I Environmental Inspection and Report findings acceptable to Buyer
- 368
- 369 5. Buyer has option to purchase at Buyer's sole discretion up to an additional .88 acres as labeled on
- 370 attached site plan as "EXCESS NOT REQ'D 0.88 AC" at \$2.00 per square foot.
- 371
- 372
- 373
- 374
- 375
- 376
- 377
- 378
- 379
- 380
- 381
- 382
- 383
- 384
- 385
- 386
- 387
- 388
- 389
- 390
- 391
- 392
- 393
- 394
- 395
- 396
- 397
- 398
- 399
- 400
- 401
- 402
- 403
- 404
- 405
- 406
- 407
- 408
- 409
- 410
- 411

412 **15. Method of Execution.** The parties agree that signatures and initials transmitted by facsimile, other photocopy

413 transmittal, or by transmittal of digital signature as defined by the applicable State or Federal law will be acceptable and

414 may be treated as originals and that the final Lot/Land Purchase and Sale Agreement containing all signatures and initials

415 may be executed partially by original signature and partially on facsimile, other photocopy documents, or by digital


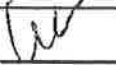
416 signature as defined by the applicable State or Federal law.





417 16. Time Limit of Offer. This Offer may be withdrawn at any time before acceptance with Notice. Offer terminates if not
418 countered or accepted by 5:30 o'clock ☐ a.m./ ☒ p.m.; on the 31 st day of January, 2013.

419 LEGAL DOCUMENTS: This is an important legal document creating valuable rights and obligations. If you have
420 any questions about it, you should review it with your attorney. Neither the Broker nor any Agent or Facilitator is
421 authorized or qualified to give you any advice about the advisability or legal effect of its provisions.


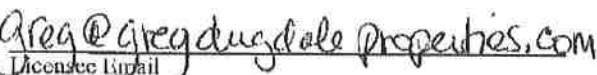
422 NOTE: Any provisions of this Agreement which are preceded by a box "☐" must be marked to be a part of this
423 Agreement. By affixing your signature below, you also acknowledge that you have reviewed each page and have
424 received a copy of this Agreement.

425 Buyer hereby makes this offer.
426  
427 BUYER BUYER
428 1/24/12 at 2 o'clock ☐ a.m./ ☒ p.m. Offer Date at o'clock ☐ a.m./ ☐ p.m.
429 Offer Date Offer Date

430 Seller hereby:
431 ☐ ACCEPTS – accepts this offer.
432 ☐ COUNTERS – accepts this offer subject to the attached Counter Offer(s).
433 ☐ REJECTS this offer and makes no counter offer.
434  
435 SELLER SELLER
436 Date at o'clock ☐ a.m./ ☐ p.m. Date at o'clock ☐ a.m./ ☐ p.m.
437 Date Date

438 Binding Agreement Date. This instrument shall become a "Binding Agreement" on the date ("Binding Agreement Date")
439 the last offeror, or licensee of the offeror, receives notice of offeree's acceptance. Notice of acceptance of the final offer was
440 provided on _____ day of _____ at _____ o'clock by
441 _____ (Name).

For Information Purposes Only:

Listing Company	Keller Williams - Nashville - Franklin
 Independent Licensee	Angela Bolton Independent Licensee
 Licensee Email	angelapbolton@kwrealty.com Licensee Email

NOTE: This form is provided by TAR to its members for their use in real estate transactions and is to be used as is. By downloading and/or using this form, you agree and covenant not to alter, amend, or edit said form or its contents except as where provided in the blank fields, and agree and acknowledge that any such alteration, amendment or edit of said form is done at your own risk. Use of the TAR logo in conjunction with any form other than standardized forms created by TAR is strictly prohibited. This form is subject to periodic revision and it is the responsibility of the member to use the most recent available form.



Copyright 2012 © Tennessee Association of Realtors®
F10 – Lot/Land Purchase and Sale Agreement, Page 9 of 9

Version 1/01/2012

PRINTED
ON 11/18/12
10:15:11 AM

AR 11/18/12
10:15:11 AM
10:15:11 AM

PRINTED
ON 11/18/12
10:15:11 AM

KELLER WILLIAMS

REALTY

PRINTED
ON 11/18/12
10:15:11 AM

COUNTER OFFER # 1

This is a Counter Offer from ☒ Seller to Buyer OR ☐ Buyer to Seller
The undersigned agree to and accept the Purchase and Sale Agreement with an offer date of 1/24/13 for the
purchase of real property commonly known as:
1820 W. Main Street Lebanon, TN, 37087

Address, City, State, Zip

With the following exceptions:

- Line 65 shall be amended to "Buyer's to the insurance premium to be paid by Seller and transfer tax to be paid by Buyer."
- Line 368 and following lines shall be amended by adding "Subject to Seller's agreement on the shape and configuration of the excess land conveyed under this provision."

ALL OTHER TERMS AND CONDITIONS OF THE ORIGINAL ATTACHED PURCHASE AND SALE AGREEMENT ARE ACCEPTABLE TO THE UNDERSIGNED. ALL TERMS AND CONDITIONS PROPOSED IN PREVIOUS COUNTER OFFERS, IF ANY, ARE NOT INCLUDED IN THIS COUNTER OFFER UNLESS RESTATED HEREIN.

This Counter Offer form will not be a part of the Purchase and Sale Agreement and be binding until accepted and signed by all parties.

Until notice of acceptance is delivered the subject Property is still on the market for sale, and this offer may be revoked at any time with notice, and the Property may be sold to any other party.

Time Limit of Offer: This Offer may be withdrawn at any time before acceptance with notice. Offer terminates if not accepted by 5:00 o'clock ☒ am ☐ pm, local time, on the 4th day of February, 2013.

Westward Properties, LLC by David B. Dugan

Seller/Buyer (Party making counter offer) DATE

Seller/Buyer (Party making counter offer) DATE

The undersigned has received and

- ☒ ACCEPTED this offer
- ☐ REJECTED this offer
- ☐ COUNTERED this offer with Counter Offer #

10 o'clock ☒ am ☐ pm; this 3 day of Feb., 2013.

Seller/Buyer (Responding Party)

Seller/Buyer (Responding Party)

Binding Agreement Date. This instrument shall become a "Binding Agreement" on the date ("Binding Agreement Date") the last offeror, or licensee of offeror, receives notice of offeror's acceptance. Notice of acceptance of the final offer was provided on the 4th day of February, 2013, at 9:55 AM by David B. Dugan.

NOTE: This form is provided by TARI to its members for their use in real estate transactions and is to be used as is. By downloading and/or using this form, you agree and covenant not to alter, amend, or add and form as its contents except as where provided in the blank fields, and agree and acknowledge that any such alteration, amendment or edit of said form is done at your own risk. Use of the TARI logo in conjunction with any form other than undistributed forms created by TARI is strictly prohibited. This form is subject to periodic revision and it is the responsibility of the member to use the most recent available form.



Copyright 2012 © Tennessee Association of Realtors®
PB - Counter Offer, Page 1 of 1

Version 1/01/2012

1994051-0-0

This document was generated using the Instant Forms Document Management Service, www.instantforms.com.

16. **Time Limit of Offer.** This Offer may be withdrawn at any time before acceptance with Notice. Offer terminates if not countered or accepted by 5:30 o'clock ☐ a.m./☒ p.m.; on the 31 st day of January, 2013.

LEGAL DOCUMENTS: This is an important legal document creating valuable rights and obligations. If you have any questions about it, you should review it with your attorney. Neither the Broker nor any Agent or Facilitator is authorized or qualified to give you any advice about the advisability or legal effect of its provisions.

NOTE: Any provisions of this Agreement which are preceded by a box "☐" must be marked to be a part of this Agreement. By affixing your signature below, you also acknowledge that you have reviewed each page and have received a copy of this Agreement.

Buyer hereby makes this offer.



BUYER



BUYER

Offer Date 1/29/13 at 2 o'clock ☐ a.m./☒ p.m.

Offer Date _____ at _____ o'clock ☐ a.m./☐ p.m.

Seller hereby:

☐ ACCEPTS -- accepts this offer.

☒ COUNTERS -- accepts this offer subject to the attached Counter Offer(s).

☐ REJECTS this offer and makes no counter offer.



SELLER



SELLER

Date 1/30/13 at 7:20 p.m.

Date _____ at _____ o'clock ☐ a.m./☐ p.m.

Binding Agreement Date. This instrument shall become a "Binding Agreement" on the date ("Binding Agreement Date") the last offeror, or licensee of the offeror, receives notice of offeror's acceptance. Notice of acceptance of the final offer was provided on _____ day of _____ at _____ o'clock by _____ (Name).

For Information Purposes Only:

Listing Company

Keller Williams - Nashville - Franklin

Selling Company


Independent Licensee

Angela Bolton

Independent Licensee


Licensee Email

angelapbolton@kwrealty.com

Licensee Email

NOTE: This form is provided by TAR to its members for their use in real estate transactions and is to be used as is. By downloading and/or using this form, you agree and covenant not to alter, amend, or edit said form or its contents except as where provided in the blank fields, and agree and acknowledge that any such alteration, amendment or edit of said form is done at your own risk. Use of the TAR logo in conjunction with any form other than standardized forms created by TAR is strictly prohibited. This form is subject to periodic revision and it is the responsibility of the member to use the most recent available form.



Copyright 2012 © Tennessee Association of Realtors®
R10 - Lot/Land Purchase and Sale Agreement, Page 9 of 9

Version 1/01/2012

1094051-0-0

This document was generated using the Instant Forms Document Management Service, www.instantforms.com.

B.III.A. - Plot Plan

15" CMP
Inv. = 545.93

12" CMP
Inv. = 545.41

MONUMENT
THE LANE

N 08°43'49" E
BE- 228.07
N-

RED
A-
ION,
OVE
OF
N 09°54'52"E
DUCTED 189.66'

TO
ON-

CONCRETE CAP PER
CITY OF LEBANON
REQUIREMENTS

S 86°11'49" E 11'49" 369.68

EXISTING M.H. A-

REVISED 10P= 34
INV. (IN)=536.25
INV. (OUT)=536.0
-PROVIDE WATERTIGHT
MANHOLE COVER
EXISTING M.H. A-1

Existing
Super Month
Rim = 541.75
Inv. (n) = 536.25
Inv. (Old) = 536.05

Existing
Sewer Mchhole
Rim=54.15
Inv. (in) 536.90
Inv. (GUL)=536.75

$$\text{INV. (OUT)} = 536.75 \text{E}$$

B.52 (SOUTH) ±
 B.58 (WEST) ±
 538.50 (EAST) ±

LOT REQ'D: 1.557-AC

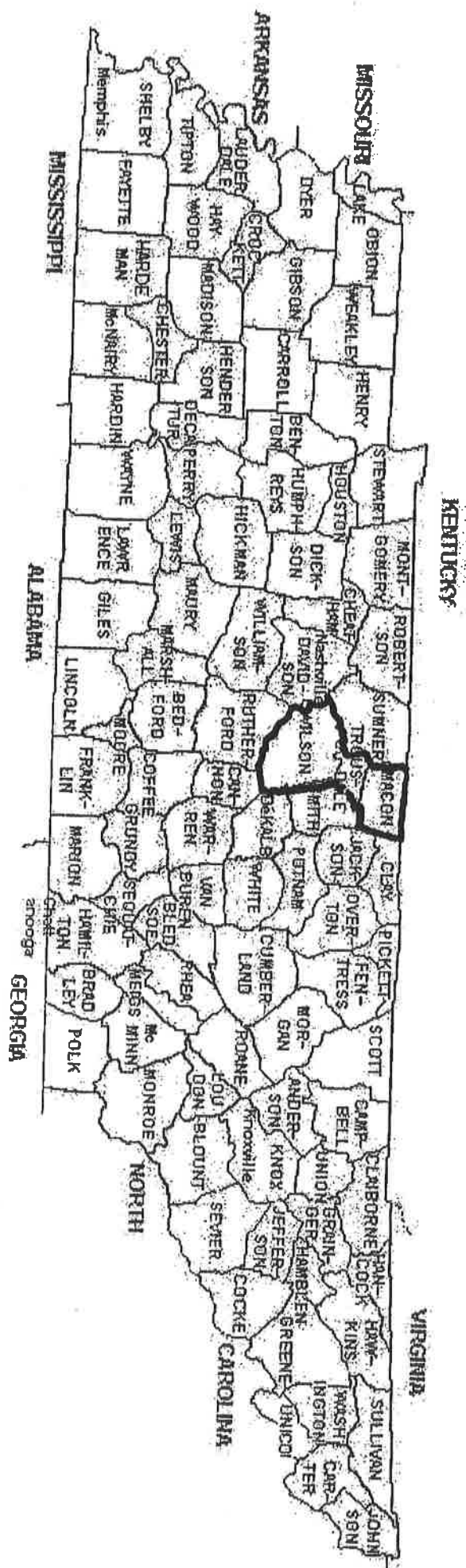
N 89° 03' 42" W 302.06' = 302.06'

1 2 03 06 06 E 10' P.U. N 89° 06' 06" W 3 1/2" = 269.73

 $\overline{\text{IR}(N)}$

B.IV. - Floor Plan

C.3. - Service Area Map



C.4.A. - Demographics

COUNTY- Macon
RACE/SEX- Total

Population Projections,
Tennessee Counties and the State,
2010-2020

AGE	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
0 to 4	1,374	1,386	1,398	1,410	1,425	1,439	1,452	1,461	1,473	1,487	1,501
5 to 9	1,523	1,531	1,540	1,548	1,559	1,567	1,579	1,593	1,606	1,619	1,632
10 to 14	1,577	1,587	1,599	1,609	1,620	1,633	1,642	1,650	1,660	1,668	1,677
15 to 19	1,672	1,692	1,715	1,736	1,757	1,780	1,791	1,801	1,811	1,821	1,832
20 to 24	1,526	1,543	1,561	1,582	1,602	1,627	1,645	1,666	1,684	1,703	1,725
25 to 29	1,559	1,580	1,601	1,623	1,644	1,669	1,688	1,707	1,728	1,746	1,768
30 to 34	1,511	1,531	1,552	1,574	1,598	1,621	1,639	1,658	1,679	1,701	1,724
35 to 39	1,580	1,574	1,566	1,559	1,552	1,546	1,563	1,581	1,600	1,618	1,636
40 to 44	1,688	1,673	1,656	1,639	1,623	1,609	1,602	1,595	1,586	1,578	1,572
45 to 49	1,615	1,621	1,627	1,634	1,642	1,648	1,629	1,612	1,595	1,577	1,561
50 to 54	1,489	1,516	1,544	1,571	1,600	1,629	1,634	1,641	1,646	1,653	1,659
55 to 59	1,424	1,436	1,449	1,462	1,475	1,488	1,514	1,541	1,567	1,597	1,625
60 to 64	1,277	1,295	1,317	1,339	1,358	1,381	1,391	1,403	1,415	1,427	1,439
65 to 69	1,019	1,047	1,073	1,105	1,135	1,166	1,183	1,203	1,221	1,239	1,260
70 to 74	675	711	746	783	822	864	887	910	936	961	987
75 to 79	498	504	511	519	527	533	560	590	619	652	685
80 to 84	341	346	351	355	360	365	370	376	384	388	395
85 plus	398	401	402	405	407	410	414	420	424	429	434
ALL AGES	22,746	22,974	23,208	23,452	23,706	23,975	24,183	24,408	24,634	24,864	25,112

COUNTY- Macon
RACE/SEX- White Male

AGE	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
0 to 4	684	690	695	702	710	716	722	726	733	741	748
5 to 9	761	765	769	772	777	781	787	794	800	807	813
10 to 14	789	794	799	804	809	814	818	821	825	828	832
15 to 19	850	858	867	876	884	892	896	901	905	910	914
20 to 24	757	779	799	821	825	830	841	851	862	873	884
25 to 29	805	811	816	821	825	834	837	840	843	846	849
30 to 34	752	767	782	799	818	836	850	867	880	894	907
35 to 39	822	812	799	788	777	767	780	793	810	824	837
40 to 44	848	845	842	839	836	833	823	812	819	815	811
45 to 49	795	802	809	816	823	830	826	822	819	815	811
50 to 54	724	739	755	770	787	803	809	816	823	829	836
55 to 59	717	717	717	716	716	716	731	747	762	779	795
60 to 64	627	639	652	665	678	691	690	690	689	689	688
65 to 69	496	510	523	538	553	568	579	591	602	614	626
70 to 74	309	328	347	368	389	412	424	436	448	461	474
75 to 79	219	221	223	225	227	229	243	258	274	291	309
80 to 84	133	135	137	138	140	142	144	145	147	148	150
85 plus	95	98	100	103	106	109	111	114	117	119	122
ALL AGES	11,183	11,299	11,411	11,530	11,655	11,780	11,881	11,985	12,094	12,205	12,317

Population Projections,
Tennessee Counties and the State,
2010-2020

COUNTY- Macon
RACE/SEX- White Female

AGE	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
0 to 4	674	680	687	692	699	707	714	719	723	729	736
5 to 9	751	755	758	763	767	771	777	784	791	797	804
10 to 14	770	777	785	792	799	807	812	816	821	825	830
15 to 19	808	820	833	845	857	871	879	886	893	900	907
20 to 24	731	743	756	769	784	798	810	821	832	843	855
25 to 29	734	745	757	769	781	794	810	824	838	851	865
30 to 34	742	746	750	755	759	763	774	785	799	812	825
35 to 39	749	752	756	757	760	763	766	769	777	774	777
40 to 44	821	810	798	786	774	764	766	768	770	772	774
45 to 49	791	792	793	795	796	797	785	773	762	750	739
50 to 54	745	756	767	778	789	800	801	802	802	803	804
55 to 59	687	699	711	724	736	749	759	769	779	790	800
60 to 64	635	642	650	658	665	673	684	696	708	720	732
65 to 69	515	527	540	553	566	580	586	593	600	606	613
70 to 74	361	377	392	409	426	444	453	464	474	485	496
75 to 79	274	279	284	289	295	300	313	327	341	356	371
80 to 84	206	208	211	213	216	218	222	227	231	235	240
85 plus	301	301	300	300	299	299	301	303	304	306	308
ALL AGES	11,295	11,409	11,527	11,647	11,768	11,898	12,012	12,126	12,239	12,354	12,476

COUNTY- Macon
RACE/SEX- Black Male

AGE	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
0 to 4	1	1	1	1	1	1	1	1	1	1	1
5 to 9	1	1	1	1	1	1	1	1	1	1	1
10 to 14	6	4	3	2	1	1	1	1	1	1	1
15 to 19	2	2	3	3	4	5	4	3	2	1	1
20 to 24	5	4	3	3	2	2	2	3	3	4	5
25 to 29	3	3	3	4	4	4	3	3	3	2	2
30 to 34	1	1	2	2	2	3	3	4	4	5	5
35 to 39	2	2	2	2	1	1	1	2	2	2	3
40 to 44	2	2	2	2	2	2	2	2	1	1	1
45 to 49	2	2	2	2	2	2	2	2	2	2	2
50 to 54	0	0	1	1	2	2	2	2	2	2	2
55 to 59	4	3	3	2	1	0	0	1	1	2	2
60 to 64	2	2	3	3	3	4	3	3	2	1	0
65 to 69	1	1	1	2	2	2	2	3	3	3	4
70 to 74	1	1	1	1	1	1	1	1	2	2	2
75 to 79	0	0	0	1	1	1	1	1	1	1	1
80 to 84	1	1	1	0	0	0	0	0	1	1	1
85 plus	0	0	0	0	0	0	0	0	0	0	0
ALL AGES	34	30	31	31	30	32	29	32	32	32	34

COUNTY - Macon
RACE/SEX - Black Female

Population Projections,
Tennessee Counties and the State,
2010-2020

AGE	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
0 to 4	1	1	1	1	1	1	1	1	1	1	1
5 to 9	1	1	1	1	1	1	1	1	1	1	1
10 to 14	1	1	1	1	1	1	1	1	1	1	1
15 to 19	1	1	1	1	1	1	1	1	1	1	1
20 to 24	3	2	2	2	1	1	1	1	1	1	1
25 to 29	0	1	1	2	2	3	2	2	2	2	3
30 to 34	1	1	1	0	0	0	1	1	0	0	0
35 to 39	0	0	0	1	1	1	1	0	1	1	1
40 to 44	1	1	1	0	0	0	0	1	1	0	1
45 to 49	1	1	1	1	1	1	1	1	1	0	1
50 to 54	1	1	1	1	1	1	1	1	1	1	1
55 to 59	1	1	1	1	1	1	1	1	1	1	1
60 to 64	3	2	2	2	1	1	1	1	1	1	1
65 to 69	0	1	1	2	2	3	2	2	2	2	3
70 to 74	1	1	1	1	0	0	1	1	0	0	0
75 to 79	1	1	1	1	1	1	1	1	1	1	1
80 to 84	0	0	0	1	1	1	1	1	1	1	1
85 plus	1	1	1	1	1	1	1	1	1	1	1
ALL AGES	18	18	18	19	17	19	19	19	19	17	19

COUNTY - Macon
RACE/SEX - Other Male

AGE	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
0 to 4	7	7	7	6	7	7	7	7	8	8	8
5 to 9	5	5	5	5	5	5	5	6	6	7	7
10 to 14	5	5	5	5	4	4	4	4	4	4	4
15 to 19	6	6	5	5	9	8	7	7	6	5	5
20 to 24	14	13	11	10	15	17	15	13	12	10	9
25 to 29	9	10	12	13	10	12	13	13	16	18	20
30 to 34	6	7	8	9	5	4	6	7	8	9	10
35 to 39	3	3	4	4	5	4	4	5	6	6	7
40 to 44	8	7	6	5	5	4	4	5	6	5	4
45 to 49	14	13	12	11	11	10	8	7	6	5	4
50 to 54	5	6	7	8	9	11	10	9	8	8	7
55 to 59	3	3	4	4	5	5	6	7	8	10	12
60 to 64	4	3	3	3	2	2	2	3	3	3	4
65 to 69	4	4	4	5	5	5	5	5	4	4	4
70 to 74	0	1	2	2	3	4	4	4	5	5	5
75 to 79	3	2	2	2	1	0	0	1	1	2	2
80 to 84	0	1	1	2	2	3	2	2	2	1	1
85 plus	0	0	0	0	0	0	0	1	1	2	2
ALL AGES	96	96	99	100	105	109	105	110	111	114	118

Population Projections,
Tennessee Counties and the State,
2010-2020

COUNTY- Macon RACE/SEX- Other Female	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
AGE											
0 to 4	7	7	7	7	7	7	7	7	7	7	7
5 to 9	4	4	5	5	6	6	6	6	6	6	6
10 to 14	6	6	6	5	5	5	5	5	6	6	6
15 to 19	5	5	6	6	7	7	7	6	6	5	5
20 to 24	16	13	10	8	6	5	5	6	6	7	7
25 to 29	8	10	12	14	17	21	17	14	11	9	7
30 to 34	9	9	9	9	9	9	11	13	15	18	22
35 to 39	4	5	6	7	8	9	9	9	9	9	9
40 to 44	8	8	7	7	6	6	7	8	9	10	12
45 to 49	12	11	10	9	9	8	7	7	6	5	5
50 to 54	14	14	13	13	12	12	11	11	10	10	9
55 to 59	12	13	14	15	16	17	17	16	16	15	15
60 to 64	6	7	7	8	9	10	11	11	12	13	14
65 to 69	3	4	4	5	7	8	9	9	10	11	12
70 to 74	3	3	3	3	3	3	4	4	5	6	7
75 to 79	1	1	1	2	2	2	2	2	2	2	2
80 to 84	1	1	1	1	1	1	1	1	1	2	2
85 plus	1	1	1	1	1	1	1	1	1	1	1
ALL AGES	120	122	122	125	131	137	137	136	139	142	148

Population Projections,
Tennessee Counties and the State,
2010-2020

COUNTY - Trousdale
RACE/SEX - Total

AGE	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
0 to 4	483	487	489	493	495	499	503	508	515	520	524
5 to 9	480	483	486	490	493	496	499	503	504	508	511
10 to 14	493	499	504	512	516	523	526	528	532	534	537
15 to 19	617	602	589	573	561	551	558	563	569	574	581
20 to 24	515	529	545	558	573	591	576	563	554	539	528
25 to 29	541	540	539	537	541	542	561	577	591	609	625
30 to 34	524	532	541	553	563	577	577	575	573	575	575
35 to 39	512	520	527	534	542	551	560	574	582	594	604
40 to 44	583	571	563	552	543	535	541	550	560	568	581
45 to 49	578	570	563	557	550	544	533	526	515	506	498
50 to 54	603	603	605	605	607	610	600	591	584	575	567
55 to 59	550	563	576	589	605	620	621	622	623	625	628
60 to 64	515	520	526	532	538	547	560	573	587	602	618
65 to 69	386	407	428	450	474	500	505	513	519	526	534
70 to 74	281	291	300	313	323	334	351	371	389	410	433
75 to 79	191	198	203	217	227	235	235	242	252	261	270
80 to 84	139	138	138	136	136	135	141	146	151	158	165
85 plus	163	162	165	164	166	165	164	165	164	165	163
ALL AGES	8,154	8,215	8,287	8,359	8,443	8,547	8,611	8,690	8,764	8,849	8,942

COUNTY - Trousdale
RACE/SEX - White Male

AGE	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
0 to 4	220	222	223	225	226	228	230	232	235	237	239
5 to 9	217	218	219	221	222	223	225	227	228	230	232
10 to 14	224	227	229	232	234	237	238	239	241	242	243
15 to 19	303	292	283	271	262	253	256	259	261	264	267
20 to 24	232	240	250	258	266	275	265	257	249	239	230
25 to 29	226	229	232	235	239	242	250	261	270	279	288
30 to 34	238	239	240	242	243	244	246	249	251	255	257
35 to 39	234	238	241	245	249	253	253	254	254	255	255
40 to 44	257	253	251	247	245	242	245	249	253	257	264
45 to 49	255	251	248	244	240	237	234	232	229	227	224
50 to 54	269	271	273	275	277	279	274	279	265	260	256
55 to 59	223	233	243	253	264	275	277	279	281	283	285
60 to 64	235	232	228	225	222	219	229	239	249	260	272
65 to 69	176	185	194	203	213	224	221	219	216	214	211
70 to 74	113	119	125	132	139	146	153	161	169	178	187
75 to 79	72	75	77	80	83	86	91	96	101	107	113
80 to 84	42	43	44	44	45	46	48	50	52	54	56
85 plus	33	33	33	33	33	33	33	34	34	35	35
ALL AGES	3,569	3,600	3,633	3,665	3,702	3,742	3,768	3,807	3,838	3,876	3,914

COUNTY - Trousdale
RACE/SEX- White Female

Population Projections,
Tennessee Counties and the State,
2010-2020

AGE	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
0 to 4	220	222	223	225	226	228	230	232	235	237	239
5 to 9	215	217	219	221	223	225	226	228	229	231	232
10 to 14	225	227	229	232	234	236	238	239	241	242	244
15 to 19	255	255	254	254	252	252	255	257	258	260	262
20 to 24	232	237	242	247	252	259	259	258	258	256	256
25 to 29	244	246	248	249	251	253	262	267	272	277	282
30 to 34	243	246	249	252	255	261	265	266	268	269	271
35 to 39	235	239	242	246	250	254	259	265	267	270	273
40 to 44	278	272	267	260	254	249	252	256	263	267	271
45 to 49	265	264	262	261	259	258	252	246	240	234	228
50 to 54	252	256	260	264	269	273	271	269	267	265	263
55 to 59	245	249	253	257	262	266	270	274	278	282	286
60 to 64	224	228	233	237	241	246	250	254	258	262	266
65 to 69	176	185	193	203	213	223	227	232	236	240	245
70 to 74	138	142	146	150	154	158	166	174	182	191	200
75 to 79	83	89	96	103	110	118	121	124	127	130	133
80 to 84	74	72	70	68	66	64	69	74	80	86	92
85 plus	105	104	104	103	103	102	101	100	98	97	95
ALL AGES	3,709	3,750	3,790	3,832	3,874	3,925	3,973	4,015	4,057	4,096	4,138

COUNTY - Trousdale
RACE/SEX- Black Male

AGE	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
0 to 4	21	21	21	21	21	21	21	21	22	22	22
5 to 9	23	23	23	23	23	23	23	23	23	23	23
10 to 14	17	18	20	21	22	24	24	24	24	24	24
15 to 19	38	33	29	24	21	17	18	20	22	24	26
20 to 24	28	29	30	31	33	35	29	25	22	18	15
25 to 29	40	36	32	29	28	26	28	28	29	33	35
30 to 34	26	28	30	34	38	41	38	34	30	29	27
35 to 39	22	23	24	25	26	27	29	32	36	40	43
40 to 44	16	17	18	20	21	23	24	25	26	27	29
45 to 49	29	26	23	21	19	17	18	20	21	22	24
50 to 54	36	34	33	31	29	28	25	22	20	18	16
55 to 59	39	38	36	35	34	33	32	30	29	28	27
60 to 64	23	26	29	32	36	40	39	37	36	35	34
65 to 69	12	13	15	17	19	21	24	27	30	34	38
70 to 74	15	14	13	12	11	10	10	12	14	15	17
75 to 79	13	13	12	12	11	11	10	9	8	8	7
80 to 84	9	9	9	8	8	8	8	8	7	7	7
85 plus	5	5	7	7	8	8	8	8	8	8	8
ALL AGES	412	406	404	403	408	413	409	405	407	415	422

Population Projections,
Tennessee Counties and the State,
2010-2020

COUNTY- Trousdale
RACE/SEX- Black Female

AGE	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
0 to 4	20	20	20	20	20	20	20	21	21	22	22
5 to 9	23	23	23	22	22	22	22	22	22	22	22
10 to 14	26	26	26	25	24	24	24	24	23	23	23
15 to 19	20	21	21	23	25	28	28	26	26	24	23
20 to 24	20	20	20	20	20	20	21	22	23	25	26
25 to 29	27	25	23	21	20	18	18	18	18	18	18
30 to 34	16	18	20	22	24	27	25	23	21	20	18
35 to 39	17	17	17	16	16	16	18	20	22	24	27
40 to 44	28	25	23	21	19	17	17	17	16	16	16
45 to 49	27	27	27	28	28	28	25	23	21	19	17
50 to 54	41	38	36	33	31	29	29	29	30	30	30
55 to 59	40	40	40	39	39	39	36	34	31	29	27
60 to 64	28	30	32	34	36	39	39	39	38	38	38
65 to 69	18	20	21	23	25	27	29	31	33	35	37
70 to 74	15	19	15	16	16	16	17	19	20	22	24
75 to 79	21	15	17	15	13	12	12	12	13	13	13
80 to 84	14	14	15	15	16	16	15	13	12	11	10
85 plus	20	20	21	21	22	22	22	23	23	24	24
ALL AGES	421	418	417	414	416	420	417	416	413	415	416

COUNTY- Trousdale
RACE/SEX- Other Male

AGE	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
0 to 4	1	1	1	1	1	1	1	1	1	1	1
5 to 9	1	1	1	2	2	2	2	2	1	1	1
10 to 14	1	1	1	1	1	1	1	1	2	2	2
15 to 19	0	0	0	1	1	1	1	1	1	1	1
20 to 24	1	1	1	0	0	0	0	0	1	1	1
25 to 29	2	2	2	1	1	1	1	1	0	0	0
30 to 34	1	1	2	2	2	3	2	2	2	1	1
35 to 39	3	2	2	2	1	1	1	2	2	3	4
40 to 44	2	2	2	3	3	3	2	2	3	3	4
45 to 49	0	0	1	1	2	2	2	3	3	3	4
50 to 54	1	1	1	0	2	2	2	0	1	1	1
55 to 59	1	1	1	2	2	2	2	2	1	1	1
60 to 64	3	2	2	2	2	3	2	2	2	2	2
65 to 69	1	1	0	2	1	1	1	2	2	2	1
70 to 74	0	0	0	1	1	1	1	2	2	2	3
75 to 79	2	2	1	1	0	0	0	0	1	1	1
80 to 84	0	0	0	1	1	1	1	1	0	0	0
85 plus	0	0	0	0	0	0	0	0	1	1	1
ALL AGES	20	18	20	23	21	23	20	23	25	23	26

Population Projections,
Tennessee Counties and the State,
2010-2020

COUNTY- Trousdale RACE/SEX- Other Female	AGE	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
0 to 4	1	1	1	1	1	1	1	1	1	1	1	1
5 to 9	1	1	1	1	1	1	1	1	1	1	1	1
10 to 14	0	0	0	0	1	1	1	1	1	1	1	1
15 to 19	1	1	1	1	0	0	0	0	0	1	1	1
20 to 24	2	2	2	2	2	2	2	2	2	1	1	0
25 to 29	2	2	2	2	2	2	2	2	2	1	2	2
30 to 34	0	0	0	0	1	1	1	1	1	1	1	1
35 to 39	1	1	1	1	0	0	0	0	1	1	0	0
40 to 44	2	2	2	2	1	1	1	1	1	1	1	1
45 to 49	2	2	2	2	2	2	2	2	2	1	1	1
50 to 54	4	4	3	3	2	2	2	4	3	1	2	2
55 to 59	2	2	2	2	2	2	2	2	3	3	4	6
60 to 64	2	2	2	2	2	2	2	2	2	2	2	2
65 to 69	3	3	3	3	2	2	2	2	3	2	2	2
70 to 74	0	1	1	1	2	2	3	3	1	2	2	3
75 to 79	0	0	0	0	0	0	0	0	0	0	0	0
80 to 84	0	0	0	0	0	0	0	0	0	0	0	0
85 plus	0	0	0	0	0	0	0	0	0	0	0	0
ALL AGES	23	23	23	23	22	22	24	24	24	24	24	26

COUNTY - Wilson
RACE/SEX - Total

Population Projections,
Tennessee Counties and the State,
2010-2020

AGE	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
0 to 4	7,097	7,215	7,340	7,463	7,588	7,715	7,835	7,954	8,077	8,200	8,327
5 to 9	7,441	7,537	7,638	7,737	7,837	7,941	8,050	8,162	8,276	8,390	8,507
10 to 14	7,468	7,582	7,700	7,818	7,940	8,062	8,150	8,236	8,324	8,414	8,505
15 to 19	7,944	8,064	8,186	8,309	8,439	8,567	8,682	8,798	8,915	9,036	9,158
20 to 24	6,998	7,068	7,142	7,214	7,286	7,362	7,456	7,551	7,653	7,751	7,852
25 to 29	7,112	7,276	7,446	7,617	7,794	7,979	8,041	8,107	8,174	8,245	8,314
30 to 34	6,963	7,194	7,427	7,673	7,929	8,193	8,334	8,482	8,631	8,780	8,935
35 to 39	7,944	7,882	7,819	7,759	7,695	7,636	7,849	8,069	8,291	8,532	8,773
40 to 44	8,400	8,371	8,339	8,307	8,281	8,252	8,171	8,087	8,004	7,925	7,853
45 to 49	9,214	9,022	8,834	8,653	8,470	8,300	8,255	8,208	8,163	8,119	8,076
50 to 54	8,563	8,683	8,801	8,922	9,047	9,179	8,974	8,772	8,573	8,383	8,195
55 to 59	7,246	7,436	7,631	7,834	8,041	8,257	8,359	8,460	8,563	8,670	8,776
60 to 64	6,247	6,363	6,488	6,615	6,745	6,875	7,049	7,224	7,405	7,595	7,785
65 to 69	4,548	4,749	4,959	5,176	5,405	5,642	5,747	5,850	5,955	6,066	6,177
70 to 74	3,170	3,320	3,481	3,648	3,826	4,008	4,181	4,364	4,553	4,750	4,958
75 to 79	2,059	2,163	2,263	2,380	2,496	2,619	2,746	2,880	3,020	3,167	3,319
80 to 84	1,395	1,432	1,472	1,513	1,557	1,601	1,679	1,759	1,849	1,938	2,037
85 plus	1,390	1,430	1,471	1,512	1,555	1,600	1,645	1,695	1,745	1,796	1,849
ALL AGES	111,199	112,787	114,437	116,150	117,941	119,788	121,203	122,658	124,171	125,757	127,396

COUNTY - Wilson
RACE/SEX - White Male

AGE	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
0 to 4	3,297	3,353	3,410	3,468	3,527	3,587	3,645	3,703	3,761	3,822	3,884
5 to 9	3,514	3,556	3,599	3,643	3,685	3,730	3,783	3,835	3,889	3,943	3,999
10 to 14	3,499	3,556	3,616	3,674	3,735	3,796	3,833	3,872	3,911	3,948	3,987
15 to 19	3,704	3,760	3,816	3,874	3,932	3,991	4,050	4,110	4,171	4,232	4,295
20 to 24	3,183	3,204	3,226	3,247	3,269	3,290	3,333	3,377	3,423	3,466	3,511
25 to 29	3,252	3,308	3,367	3,425	3,484	3,546	3,566	3,587	3,607	3,630	3,649
30 to 34	3,165	3,270	3,378	3,491	3,607	3,725	3,771	3,819	3,867	3,913	3,961
35 to 39	3,645	3,610	3,575	3,541	3,506	3,473	3,570	3,670	3,773	3,881	3,989
40 to 44	3,895	3,873	3,850	3,825	3,803	3,780	3,738	3,695	3,653	3,611	3,570
45 to 49	4,137	4,075	4,016	3,957	3,897	3,841	3,812	3,784	3,755	3,728	3,700
50 to 54	3,915	3,954	3,992	4,030	4,071	4,111	4,044	3,979	3,913	3,850	3,787
55 to 59	3,381	3,449	3,518	3,589	3,661	3,733	3,765	3,796	3,829	3,862	3,893
60 to 64	2,823	2,880	2,938	3,000	3,061	3,125	3,184	3,244	3,306	3,368	3,431
65 to 69	2,078	2,153	2,232	2,313	2,397	2,482	2,533	2,582	2,634	2,686	2,740
70 to 74	1,426	1,487	1,553	1,620	1,691	1,765	1,829	1,896	1,964	2,035	2,109
75 to 79	847	895	943	997	1,052	1,111	1,159	1,213	1,266	1,324	1,382
80 to 84	482	500	518	537	558	578	611	647	685	724	768
85 plus	319	330	342	353	365	377	393	409	426	443	461
ALL AGES	50,562	51,213	51,889	52,584	53,301	54,041	54,619	55,218	55,833	56,466	57,116

Population Projections,
Tennessee Counties and the State,
2010-2020

COUNTY - Wilson
RACE/SEX - White Female

AGE	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
0 to 4	3,196	3,250	3,307	3,363	3,419	3,477	3,532	3,588	3,646	3,703	3,761
5 to 9	3,398	3,444	3,493	3,539	3,588	3,638	3,686	3,737	3,789	3,839	3,892
10 to 14	3,404	3,464	3,524	3,586	3,649	3,711	3,753	3,793	3,834	3,878	3,921
15 to 19	3,535	3,609	3,683	3,759	3,839	3,918	3,977	4,036	4,097	4,159	4,222
20 to 24	3,202	3,242	3,284	3,326	3,366	3,409	3,471	3,533	3,596	3,660	3,726
25 to 29	3,337	3,427	3,519	3,610	3,706	3,805	3,842	3,878	3,916	3,953	3,992
30 to 34	3,200	3,329	3,460	3,598	3,742	3,890	3,969	4,049	4,130	4,213	4,297
35 to 39	3,740	3,694	3,648	3,604	3,559	3,515	3,468	3,426	3,383	3,340	3,297
40 to 44	3,918	3,909	3,898	3,887	3,877	3,870	3,813	3,757	3,701	3,646	3,593
45 to 49	4,452	4,327	4,206	4,090	3,973	3,863	3,846	3,826	3,808	3,789	3,770
50 to 54	4,007	4,087	4,166	4,248	4,332	4,419	4,285	4,156	4,029	3,907	3,788
55 to 59	3,372	3,476	3,582	3,692	3,807	3,924	3,993	4,062	4,134	4,206	4,279
60 to 64	3,017	3,066	3,118	3,171	3,224	3,278	3,371	3,469	3,568	3,670	3,775
65 to 69	2,188	2,300	2,416	2,539	2,667	2,802	2,845	2,887	2,929	2,976	3,019
70 to 74	1,529	1,612	1,700	1,794	1,893	1,995	2,092	2,195	2,302	2,415	2,533
75 to 79	1,101	1,148	1,194	1,247	1,299	1,353	1,426	1,502	1,583	1,668	1,756
80 to 84	848	865	883	902	921	942	981	1,020	1,065	1,107	1,155
85 plus	966	996	1,026	1,058	1,090	1,124	1,153	1,184	1,216	1,248	1,282
ALL AGES	52,410	53,245	54,107	55,013	55,951	56,933	57,673	58,435	59,236	60,065	60,929

COUNTY - Wilson
RACE/SEX - Black Male

AGE	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
0 to 4	258	261	265	268	272	275	277	279	280	282	284
5 to 9	222	224	226	229	231	233	236	239	241	244	247
10 to 14	257	251	246	240	235	230	232	234	236	238	240
15 to 19	289	292	294	296	298	300	294	287	281	275	269
20 to 24	274	270	266	262	258	254	257	258	260	261	264
25 to 29	218	226	234	243	252	264	257	254	250	246	243
30 to 34	240	237	233	230	227	224	232	240	242	249	258
35 to 39	223	229	235	241	247	253	249	246	242	242	235
40 to 44	226	228	231	233	236	238	244	249	243	245	247
45 to 49	258	255	250	245	242	238	240	243	245	248	252
50 to 54	250	254	258	261	266	269	266	262	259	255	249
55 to 59	210	213	216	219	222	225	228	231	234	238	241
60 to 64	163	168	175	182	189	195	199	201	204	207	210
65 to 69	123	127	131	135	139	143	148	154	159	165	172
70 to 74	89	92	95	98	102	105	108	111	115	118	122
75 to 79	33	37	41	46	50	55	58	60	62	64	67
80 to 84	20	20	20	20	20	20	22	24	27	30	33
85 plus	17	17	17	17	17	17	17	17	18	18	18
ALL AGES	3,370	3,401	3,433	3,465	3,503	3,538	3,564	3,589	3,617	3,648	3,687

Population Projections,
Tennessee Counties and the State,
2010-2020

COUNTY - Wilson
RACE/SEX - Black Female

AGE	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
0 to 4	255	258	262	265	269	272	274	275	277	278	280
5 to 9	219	222	225	227	230	233	236	239	242	246	249
10 to 14	229	229	229	229	229	229	232	235	237	240	243
15 to 19	319	307	296	284	273	262	262	262	261	261	261
20 to 24	239	251	264	276	289	304	291	280	270	261	249
25 to 29	188	198	208	221	232	244	256	269	282	296	310
30 to 34	214	211	206	200	196	193	202	214	225	235	247
35 to 39	205	209	212	214	216	218	218	210	202	198	194
40 to 44	234	229	224	219	215	208	212	214	215	217	219
45 to 49	254	250	246	242	238	235	230	225	220	215	210
50 to 54	282	277	271	266	261	255	252	246	241	238	235
55 to 59	210	219	229	242	255	266	261	256	249	243	238
60 to 64	180	185	190	195	201	206	215	225	235	249	261
65 to 69	120	127	134	141	150	159	164	168	174	178	184
70 to 74	102	103	105	106	108	109	115	122	129	136	144
75 to 79	69	72	74	77	80	83	84	85	87	88	89
80 to 84	40	42	45	47	51	53	56	58	60	64	66
85 plus	83	82	81	79	78	77	77	78	78	79	79
ALL AGES	3,442	3,471	3,501	3,530	3,571	3,606	3,633	3,661	3,684	3,722	3,758

COUNTY - Wilson
RACE/SEX - Other Male

AGE	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
0 to 4	46	47	49	51	52	54	55	56	58	59	60
5 to 9	44	46	48	50	53	55	56	58	59	61	62
10 to 14	42	43	45	47	48	50	52	53	55	57	59
15 to 19	53	52	52	51	51	50	51	53	54	56	57
20 to 24	46	48	50	52	54	56	55	54	54	53	52
25 to 29	63	61	60	58	57	55	57	58	60	62	64
30 to 34	64	67	71	75	79	83	80	77	74	72	69
35 to 39	47	51	56	62	67	74	77	81	84	91	96
40 to 44	57	57	57	56	56	56	61	66	71	77	86
45 to 49	57	57	56	56	55	55	55	54	54	53	53
50 to 54	41	44	48	52	57	62	62	61	61	60	60
55 to 59	30	32	34	35	39	40	44	48	52	57	62
60 to 64	31	30	32	32	34	34	36	37	39	42	43
65 to 69	20	21	23	24	25	27	27	28	28	29	29
70 to 74	12	13	14	15	16	17	18	20	21	22	24
75 to 79	5	6	6	7	8	9	10	11	12	13	14
80 to 84	3	3	3	4	4	4	4	5	6	6	7
85 plus	3	3	3	3	3	3	3	4	4	5	5
ALL AGES	664	681	707	730	758	784	803	824	846	875	902

COUNTY - Wilson
RACE/SEX - Other Female

Population Projections,
Tennessee Counties and the State,
2010-2020

AGE	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
0 to 4	45	46	47	48	49	50	52	53	55	56	58
5 to 9	44	45	47	49	50	52	53	54	56	57	58
10 to 14	37	39	40	42	44	46	48	49	51	53	55
15 to 19	44	44	45	45	46	46	48	50	51	53	54
20 to 24	54	53	52	51	50	49	49	49	50	50	50
25 to 29	54	56	58	60	63	65	63	61	59	58	56
30 to 34	80	80	79	79	78	78	80	83	86	89	91
35 to 39	84	89	93	97	100	103	101	99	97	96	91
40 to 44	70	75	79	87	94	100	103	106	109	111	114
45 to 49	56	58	60	63	65	68	72	76	81	86	91
50 to 54	68	67	66	65	64	63	65	68	70	73	76
55 to 59	43	47	52	57	63	69	68	67	65	64	63
60 to 64	33	34	35	35	36	37	44	48	53	59	65
65 to 69	19	21	23	24	27	29	30	31	31	32	33
70 to 74	12	13	14	15	16	17	19	20	22	24	26
75 to 79	4	5	5	6	7	8	9	9	10	10	11
80 to 84	2	2	3	3	3	4	5	5	6	7	8
85 plus	2	2	2	2	2	2	2	3	3	3	4
ALL AGES	751	776	800	828	857	886	911	931	955	981	1,004

C. Economic Feasibility 1. - Construction Documentation



1614 17th Ave South
Nashville, TN 37212
Office 615-277-1178
Fax 615-277-1179
www.projllc.com

February 14, 2013

**RE: New Ambulatory Surgery Center in Lebanon, Tennessee
For Lebanon Healthcare Partners, LLC
ProjX Project No. 121004**

To Whom it May Concern:

I am an Architect, licensed in the State of Tennessee. My Architecture License number is 14946.

I designed the attached floor plan for the Ambulatory Surgery Center to be built in Lebanon, Tennessee. Total building size is 9,300 s.f. excluding canopies.

Final construction documents will conform to all codes as listed with the City of Lebanon and the State of Tennessee including:

- 2006 International Building Code
- 2006 International Plumbing Code
- 2006 International Mechanical Code
- 2002 National Electrical Code.
- 2006 International Fire Code
- 2006 International Fuel Gas Code
- 2006 International Existing Building Code
- 2002 North Carolina Handicap Code with 2004 Revisions
- Americans with Disabilities Act (ADA) with 2002 Amendments.
- 2006 Life Safety Code
- 2006 International Energy Conservation Code
- 2006 AIA Guidelines for Design and Construction of Health Care Facilities.
- 2003 ASHRAE Handbook of Fundamentals.

Our estimate of probable cost is \$220 per square foot.

With you in a Spirit of Service,

Ira A. Chilton, NCARB
TN Architecture License #14946



CARDIOVASCULAR ANESTHESIOLOGISTS, P.C.

Anesthesia and Intensive Care

NANCY J. DELBOY, M.D.
LAWRENCE W. FREUND, D.O.
PAUL A. MAZZONI, M.D.
J. DAVID NETTERVILLE, M.D.

BRIAN J. POORE, M.D.
KENNETH C. PETRONI, M.D.
ROSCOE V. ROBINSON, M.D.
JESSEE SCRUGGS, M.D.
RICHARD C. TOMICHEK, M.D.

February 13, 2013

Mr. Keith Bolton
Lebanon Healthcare Partners LLC
9206 Concord Road
Brentwood, TN 37027

Dear Mr. Bolton:

Thank you for your continued interest, support, and relationship with Cardiovascular Anesthesiologists, PC. As you know, we have enjoyed our relationship with you at some of your other surgery centers, and we look forward to our continued working relationship with you.

Pursuant to our discussion, CVA looks forward to providing anesthesia services at your new facility in Lebanon, known as Surgery Center of Lebanon. We would anticipate that this relationship would involve providing both MD anesthesiologists as well as CRNA's at that facility.

Please continue to keep us updated on the status of the project, and when we can expect to begin service.

Thank you again for your interest in CVA.

Sincerely,



Paul A. Mazzoni MD

2013 FEB 14 PM 2 55

AFFIDAVIT

STATE OF TENNESSEE

COUNTY OF DAVIDSON

KEITH BOLTON, being first duly sworn, says that he is the applicant named in this application or the lawful agent thereof, that this project will be completed in accordance with the application, that the applicant has read the directions to this application, the Rules of the Health Services and Development Agency and T.C.A. § 68-11-1601, *et seq.*, and that the responses to this application or any other questions deemed appropriate by the Health Services and Development Agency are true and complete.



Signature/Title

Sworn to and subscribed before me this the 14th day of February, 2013, a Notary Public in and for the County of Davidson, State of Tennessee.



NOTARY PUBLIC

My Commission expires

5/5/15





State of Tennessee

Health Services and Development Agency

Frost Building, 3rd Floor, 161 Rosa L. Parks Boulevard, Nashville, TN 37243
www.tn.gov/hsda Phone: 615-741-2364/Fax: 615-741-9884

March 1, 2013

Keith Bolton, CEO
Specialty Surgery Centers of America, Inc.
9206 Concord Road
Brentwood, TN 37027

RE: Certificate of Need Application -- Surgery Center of Lebanon - CN1302-003

Dear Mr. Bolton:

This is to acknowledge the receipt of supplemental information to your application for a Certificate of Need for the relocation of an approved but unimplemented certificate of need (CN0906-036A) for a multi-specialty surgery center from 101 Physicians Way to an unaddressed site on the east side of Blair Lane and Hwy 70, Lebanon (Wilson County), TN. The estimated project cost is \$2,212,467.00.

Please be advised that your application is now considered to be complete by this office. Your application is being forwarded to the Tennessee Department of Health and/or its representative for review.

In accordance with Tennessee Code Annotated, §68-11-1601, et seq., as amended by Public Chapter 780, the 60-day review cycle for this project will begin on March 1, 2013. The first sixty (60) days of the cycle are assigned to the Department of Health, during which time a public hearing may be held on your application. You will be contacted by a representative from this Agency to establish the date, time and place of the hearing should one be requested. At the end of the sixty (60) day period, a written report from the Department of Health or its representative will be forwarded to this office for Agency review within the thirty (30)-day period immediately following. You will receive a copy of their findings. The Health Services and Development Agency will review your application on May 22, 2013.

Any communication regarding projects under consideration by the Health Services and Development Agency shall be in accordance with T.C.A. § 68-11-1607(d):

- (1) No communications are permitted with the members of the agency once the Letter of Intent initiating the application process is filed with the agency. Communications between agency members and agency staff shall not be prohibited. Any communication received by an agency member from a person unrelated to the applicant or party opposing the application shall be reported to the Executive Director and a written summary of such communication shall be made part of the certificate of need file.
-

Keith Bolton, CEO
March 1, 2013
Page 2

- (2) All communications between the contact person or legal counsel for the applicant and the Executive Director or agency staff after an application is deemed complete and placed in the review cycle are prohibited unless submitted in writing or confirmed in writing and made part of the certificate of need application file. Communications for the purposes of clarification of facts and issues that may arise after an application has been deemed complete and initiated by the Executive Director or agency staff are not prohibited.

Should you have questions or require additional information, please contact me.

Sincerely,

A handwritten signature in black ink, appearing to read "Melanie M. Hill". The signature is fluid and cursive, with the first name "Melanie" being more prominent than the last name "Hill".

Melanie M. Hill
Executive Director

cc: Lori B. Ferranti, TDH, PPA




State of Tennessee

Health Services and Development Agency

Frost Building, 3rd Floor, 161 Rosa L. Parks Boulevard, Nashville, TN 37243
www.tn.gov/hsda Phone: 615-741-2364/Fax: 615-741-9884

MEMORANDUM

TO: Lori B. Ferranti, Director
Office of Policy, Planning and Assessment
Division of Health Statistics
Cordell Hull Building, 6th Floor
425 Fifth Avenue North
Nashville, Tennessee 37247



FROM: Melanie M. Hill
Executive Director

DATE: March 1, 2013

RE: Certificate of Need Application
Surgery Center of Lebanon - CN1302-003

Please find enclosed an application for a Certificate of Need for the above-referenced project.

This application has undergone initial review by this office and has been deemed complete. It is being forwarded to your agency for a sixty (60) day review period to begin on March 1, 2013 and end on May 1, 2013.

Should there be any questions regarding this application or the review cycle, please contact Mark Farber, Deputy Director.

Enclosure

cc: Keith Bolton, CEO



2013 FEB -8 AM 11: 58

LETTER OF INTENT TENNESSEE HEALTH SERVICES AND DEVELOPMENT AGENCY

The Publication of Intent is to be published in the The Lebanon Democrat which is a newspaper
of general circulation in Wilson County, Tennessee, on or before February 9, 2013
(County) (Month / day) (Year)
for one day.

This is to provide official notice to the Health Services and Development Agency and all interested parties, in accordance with T.C.A. § 68-11-1601 *et seq.*, and the Rules of the Health Services and Development Agency,

Surgery Center of Lebanon

N/A

(Name of Applicant)

(Facility Type-Existing)

owned by: Lebanon Healthcare Partners, LLC with an ownership type of limited liability company

and to be managed by: Specialty Surgery Centers of America, Inc. intends to file an application for a Certificate of Need
for [PROJECT DESCRIPTION BEGINS HERE]:

The relocation of an approved but unimplemented certificate of need for a multi-specialty surgery center. The proposed facility previously approved under CON CN0906-036 will be relocated from its original approved site at 101 Physicians Way, Lebanon (Wilson County), TN 37087 to a new unaddressed site located on the east side of Blair Lane in Lebanon, Wilson County, Tennessee, 37087. The new, unaddressed site is approximately one-quarter mile south of the intersection of Blair Lane and U.S. Highway 70 in Lebanon, and approximately 200 yards south of the intersection of Blair Lane and Monument Lane in Lebanon. As with the originally approved CON application, this ASTC will include three operating rooms and one procedure room, as well as requisite clinical and support space, including 12 pre-operation and post-operation bed spaces. The projected square footage for this project is approximately 9,300 square feet. The estimated project costs are approximately \$2,300,000.

The anticipated date of filing the application is: February 14, 2013

The contact person for this project is Keith Bolton

CEO

(Contact Name)

(Title)

who may be reached at: Specialty Surgery Centers of America, Inc.

9206 Concord Road

(Company Name)

(Address)

Brentwood

TN

37027

931-801-2558

(City)

(State)

(Zip Code)

(Area Code / Phone Number)

William W. W. W.

(Signature)

2/8/2013

(Date)

sscakeith@bellsouth.net

(E-mail Address)

The Letter of Intent must be filed in triplicate and received between the first and the tenth day of the month. If the last day for filing is a Saturday, Sunday or State Holiday, filing must occur on the preceding business day. File this form at the following address:

Health Services and Development Agency
The Frost Building, Third Floor
161 Rosa L. Parks Boulevard
Nashville, Tennessee 37243

The published Letter of Intent must contain the following statement pursuant to T.C.A. § 68-11-1607(c)(1). (A) Any health care institution wishing to oppose a Certificate of Need application must file a written notice with the Health Services and Development Agency no later than fifteen (15) days before the regularly scheduled Health Services and Development Agency meeting at which the application is originally scheduled; and (B) Any other person wishing to oppose the application must file written objection with the Health Services and Development Agency at or prior to the consideration of the application by the Agency.



STATE OF TENNESSEE
HEALTH SERVICES AND DEVELOPMENT AGENCY

500 Deaderick Street
Suite 850
Nashville, Tennessee 37243
741-2364

February 20, 2013

Keith Bolton, CEO
Specialty Surgery Centers of America, Inc.
9206 Concord Road
Brentwood, TN 37027

RE: Certificate of Need Application CN1302-003
Surgery Center of Lebanon

Dear Mr. Bolton:

This will acknowledge our February 14, 2013 receipt of your application for a Certificate of Need for the relocation of a multi-specialty ambulatory surgical treatment center at an unaddressed site located on the east side of Blair Lane, Lebanon (Wilson County), TN 37087.

Several items were found which need clarification or additional discussion. Please review the list of questions below and address them as indicated. The questions have been keyed to the application form for your convenience. I should emphasize that an application cannot be deemed complete and the review cycle begun until all questions have been answered and furnished to this office.

Please submit responses in triplicate by 12:00 p.m., Wednesday, February 27, 2013. If the supplemental information requested in this letter is not submitted by or before this time, then consideration of this application may be delayed into a later review cycle.

1. Section A, Applicant Profile, Item 4

Please describe the existing or proposed ownership structure of the applicant, including an ownership structure organizational chart. Explain the corporate structure and the manner in which all entities of the ownership structure relate to the applicant. As applicable, identify the members of the ownership entity and each member's percentage of ownership for those members with 5% or more ownership interest. In addition, please document the financial interest of the applicant, and the applicant's parent company/owner in any other health care institution as defined in Tennessee Code Annotated, §68-11-1602 in Tennessee. At a minimum, please provide the name, address, current status of licensure/certification, and percentage of ownership for each health care institution identified.

2. Section A, Applicant Profile, Item 5

The draft management agreement is noted. Please indicate the management fee payment methodology and schedule. Please describe the management entity's experience in providing management services for the type of the proposed facility, which is the same or similar to the applicant facility. Please describe the structure of the management entity.

3. Section A, Applicant Profile, Item 6

The draft lease agreement is noted. Please attach a fully executed option to lease agreement or other appropriate documentation. The option to lease agreement must include the actual/anticipated term of the agreement and actual/anticipated lease expense.

4. Section A, Applicant Profile, Item 8

Please specify under 8.E. purpose for review.

5. Section B, Project Description, Item I.

In the previously approved project Surgery Center of Lebanon, CN0906-036A, the applicant indicated many physicians, including those involved in Tennessee Sports Medicine and the Lebanon Endoscopy Center, have moved their practices and their surgical facilities south to the I-40 corridor to provide better access to their patients. It appears the applicant in this application is relocating north of Interstate 40 in Lebanon. Please clarify how this relocation will better meet the needs of patients in terms of access as identified in the previously approved project.

Please describe the type of pain management procedures that will be performed at the proposed ASTC site.

The applicant states specialties to initially be represented in the proposed project includes orthopedics, pain management, ENT, general and plastic surgery. Please complete the following table that breaks out the total number of procedures and physicians that will be assigned to each specialty category.

Specialty	Total Cases In Year One	Estimated # of Staff Physicians
Orthopedics		
Pain Management		
ENT		
General Surgery		
Plastic Surgery		
Other		
Total		

Please indicate if the applicant plans to add additional surgical specialties to the proposed project in the future. If so, what types?

6. Section B, Item II B. (Project Description) (Plot Plan)

Your response is noted. Please identify where the proposed ASTC structure will be located on the plot plan. Please indicate and resubmit.

7. Section B, Item III B. (1)

Please indicate the distance of interstate 40 and 840 to the proposed site.

8. Section B. Item IV.

Please submit a floor plan drawing which includes legible labeling of patient care rooms, ancillary areas, equipment areas, etc. on an 8 ½" x 11" sheet of white paper.

9. Section C, Need Item 1

Please discuss how the proposed project will relate to the "5 Principals for Achieving Better Health found in the State Health Plan."

10. Section C, Need Item 1.b.

Please provide an individual response to each of the following factors:

(4) Applications for Change of Site. When considering a certificate of need application which is limited to a request for a change of site for a proposed new health care institution, the HSDA may consider, in addition to the foregoing factors, the following factors:

- (a) **Need.** The applicant should show the proposed new site will serve the health care needs in the area to be served at least as well as the original site. The applicant should show that there is some significant legal, financial, or practical need to change the proposed new site.
- (b) **Economic factors.** The applicant should show that the proposed new site would be at least as economically beneficial to the population to be served as the original site.
- (c) **Contribution to the orderly development of health care facilities and/or services.** The applicant should address any potential delays that would be caused by the proposed change of site, and show that any such delays are outweighed by the benefit that will be gained from the change of site by the population to be served.

11. Section C, Need Item 1 (Specific Criteria –ASTC Item 3)

Please clarify the distance and driving time the proposed site is from Lebanon (Wilson County), Lafayette (Macon County) and Hartsville (Trousdale) County, TN.

12. Section C, Need Item 1 (Specific Criteria –ASTC Item 7)

The projected utilization for the first 8 quarters of the project is noted. Please indicate if the utilization is projected in cases or procedures. If the utilization numbers are procedures, please project utilization in cases.

Please include the specific methodology used to project utilization for the first eight quarters of the proposed project.

13. Section C. Item 2

Please indicate if there are any long-range development plans of the applicant beyond establishing an ambulatory surgery treatment center.

Does the applicant have in mind a group of anesthesiologists who would be interested and have the capability to provide anesthesia services to the ASTC? If so, please provide a letter of interest from the group which also described their willingness to provide services to TennCare beneficiaries.

14. Section C, Need Item 4 (Service Area Demographics)

Please complete the following table for the service area population and demographics.

Demographic /Geographic Area	Macon County	Sumner County	Trousdale County	Service Area / Macon, Trousdale, Macon County Total	State of TN Total
Total Population- Current Year -2013					
Total Population- Projected Year -2017					
Total Population-% change					
Age 65 & over Population - 2013					
Age 65 & over Population - 2017					
Age 65 & over Population - % change					
Age 65 & over Population as % of Total Population					
Median Household Income					
TennCare Enrollees					
TennCare Enrollees as					

% of Total					
Persons Below Poverty Level					
Persons Below Poverty Level as % of Total					

The Tennessee Department of Health's Population Projections 2010-2020 should be used for the population projections, the US Census Bureau and the State of Tennessee Bureau of TennCare websites will be helpful in gathering the other demographic statistics.

15. Section C, Need Item 5

Please complete the following chart.

Provider	2009		2010		2011	
	# OR's	Cases	# OR's	Cases	# OR's	Cases
ASTC's						
Lebanon Endoscopy Ctr.						
Wilson County Eye Surgery Ctr.						
Lebanon Surgical Center						
Hospitals						
Macon Co. Gen Hospital						
Inpt Cases						
Outpt Cases						
University Med. Ctr.						
Inpt Cases						
Outpt Cases						
Trousdale Medical Center						
Inpt Cases						
Outpt Cases						
Total ORs available for Outpt Surgery						
Total Cases						
Total Outpt Cases						

16. Section C. Economic Feasibility Item 1 (Project Cost Chart)

The documentation from a health care experienced licensed architect, engineer, and/or health care facility contractor is noted. Please revise the provided documentation to reflect the proposed ASTC will conform to more recent 2010 AIA Guidelines for Design and Construction of Health Care Facilities.

The following definition regarding leased property cost in Tennessee Health Services and Development Agency Rule 0720-9-.01 (c) states "In calculating the value of a lease, the "cost" is the fair market value of the leased item or the total amount of the lease payment, whichever is greater." Please provide documentation of the fair market value of the premises leased and the calculation of the total amount of the lease payment over the 5 year period.

Please provide a listing of the equipment which will cost over \$50,000 per item.

17. Section C. Economic Feasibility Item 2

The applicant intends to fund the proposed project with a commercial loan. Please provide a letter from a lending institution or guarantor stating favorable initial contact, proposed loan amount, expected interest rates, and anticipated term of the loan, and any restrictions or conditions.

18. Section C, Economic Feasibility, Item 3

Please compare this project's cost per square foot to cost per square foot ranges of previously approved ASTC projects found in the "Applicant's Toolbox" on the HSDA website (www.tn.gov/hsda) or provide specific examples supporting the reasonableness of proposed project costs.

19. Section C, Economic Feasibility, Item 4

Please indicate the utilization data (specific unit of measure) on the Projected Data Chart in procedures and cases.

20. Section C, Economic Feasibility, Item 5

Please identify the project's average gross charge, average deduction from operating revenue and average net charge.

21. Section C, Economic Feasibility, Item 6 A. and 6.B

The projected charges for the anticipated top five procedures in noted. Please provide the proposed charge schedules for the proposal.

The applicant states Medicare reimbursement for procedures performed at free-standing ASTC's are more than 40% lower than reimbursement for the same procedures in hospitals. Please provide specific examples relative to the proposed project that supports this statement.

Please compare proposed charges to recently approved HSDA projects such as Southern Sports Surgery Center (CN1204-019A) and Maury Regional Ambulatory Surgery Center, LLC (CN1111-046A).

22. Section C. Economic Feasibility, Item 8

Please describe the access to the mentioned revolving credit line and an equipment term loan the applicant mentions could be used on a worst case basis to continue to fund possible losses within the first two years of the proposed project.

23. Section C. Economic Feasibility, Item 9

Please identify the three TennCare MCOs the applicant anticipates to contract with.

The anticipated TennCare and Medicare revenue percentages do not correspond to the Projected Data Chart Gross revenue projections. Please recalculate and resubmit a replacement page if necessary.

24. Section C. Economic Feasibility, Item 10

Please provide financial information such as copies of balance sheets and income statements from the most recent reporting period for the corporation, partnership, or principal parties involved with the proposed project.

The applicant indicated in the project Surgery Center of Lebanon CN0906-036, Specialty Surgery Centers of America, Inc. will have an ownership of 20% following CON approval. If so, please provide the above mentioned financial documents for that entity.

25. Section C. Orderly Development, Item 9 and 10

The applicant has responded "not applicable" to questions 9 and 10. Please indicate the applicant has researched the elements of these two questions relative to any entities or person with more than 5% ownership interest in the applicant or professional licenses held by the applicant. Please respond and submit a replacement page.

In accordance with Tennessee Code Annotated, §68-11-1607(c) (5), "...If an application is not deemed complete within sixty (60) days after written notification is given to the applicant by the agency staff that the application is deemed incomplete, the application shall be deemed void." **For this application the sixtieth (60th) day after written notification is April 19, 2013. If this application is not deemed complete by this date, the application will be deemed void.** Agency Rule 0720-10-.03(4) (d) (2) indicates that "Failure of the applicant to meet this deadline will result in the application being considered withdrawn and returned to the contact person. Re-submittal of the application must be accomplished in accordance with Rule 0720-10-.03 and requires an additional filing fee." Please note that supplemental information must be submitted timely for the application to be deemed complete prior to the beginning date of the review cycle which the applicant intends to enter, even if that time is less than the sixty (60) days allowed by the statute. The supplemental information must be submitted with the enclosed affidavit, which shall be executed and notarized; please attach the notarized affidavit to the supplemental information.

If all supplemental information is not received and the application officially deemed complete prior to the beginning of the next review cycle, then consideration of the application could be delayed into a later review cycle. The review cycle for each application shall begin on the first day of the month after the application has been deemed complete by the staff of the Health Services and Development Agency.

Any communication regarding projects under consideration by the Health Services and Development Agency shall be in accordance with T.C.A. § 68-11-1607(d):

- (1) No communications are permitted with the members of the agency once the Letter of Intent initiating the application process is filed with the agency. Communications between agency members and agency staff shall not be prohibited. Any communication received by an agency member from a person unrelated to the applicant or party opposing the application shall be reported to the Executive Director and a written summary of such communication shall be made part of the certificate of need file.
- (2) All communications between the contact person or legal counsel for the applicant and the Executive Director or agency staff after an application is deemed complete and placed in the review cycle are prohibited unless submitted in writing or confirmed in writing and made part of the certificate of need application file. Communications for the purposes of clarification of facts and issues that may arise after an application has been deemed complete and initiated by the Executive Director or agency staff are not prohibited.

Should you have any questions or require additional information, please do not hesitate to contact this office.

Sincerely,

A handwritten signature in dark ink, appearing to read "Phillip M. Earhart", with a stylized flourish at the end.

Phillip M. Earhart
Health Services Examiner

Copy

Supplemental #1

Surgery Center of Lebanon

CN1302-003

**February 27, 2013
4:19pm****2013 FEB 27 PM 3 19**

February 27, 2013

Mr. Phillip M. Earhart
Health Planner III
Tennessee Health Services and Development Agency
Suite 850
Andrew Jackson Building
Nashville, TN 37219

Via Hand Delivery

Re: Certificate of Need Application CN1302-003
Surgery Center of Lebanon

Dear Mr. Earhart:

Set forth below are the responses of Surgery Center of Lebanon, the applicant in Certificate of Need Application CN1302-003 to the request for information dated February 20, 2013. We have filed these in triplicate, as you directed, along with an affidavit regarding the responses. If you have any questions or need additional information, please advise.

1. Section A, Applicant Profile, Item 4

Please describe the existing or proposed ownership structure of the applicant, including an ownership structure organizational chart. Explain the corporate structure and the manner in which all entities of the ownership structure relate to the applicant. As applicable, identify the members of the ownership entity and each member's percentage of ownership for those members with 5% or more ownership interest. In addition, please document the financial interest of the applicant, and the applicant's parent company/owner in any other health care institution as defined in Tennessee Code Annotated, §68-11-1602 in Tennessee. At a minimum, please provide the name, address, current status of licensure/certification, and percentage of ownership for each health care institution identified.

RESPONSE: An organizational chart for Specialty Surgery Centers of America, Inc. is attached as exhibit A. A manifest for Lebanon Healthcare Partners is also attached. All facilities (except for Lebanon Healthcare Partners) identified are currently licensed by the State of Tennessee and accredited either by AAAHC or JCAHO. The only healthcare institution as defined in this question that SSCA owns equity in currently is the Surgery Center of Columbia, 725 S. James Campbell Blvd., Columbia, TN 38401.

2. Section A, Applicant Profile, Item 5

The draft management agreement is noted. Please indicate the management fee payment methodology and schedule. Please describe the management entity's experience in providing

management services for the type of the proposed facility, which is the same or similar to the applicant facility. Please describe the structure of the management entity.

RESPONSE: Lebanon Healthcare Partners will be managed by Specialty Surgery Centers of America, Inc., a corporation. Management fees are to be paid at a rate of 6% of net (cash) revenues. Specialty Surgery Centers of America has owned and managed ambulatory surgery center for 20 years, including 12 at the Surgery Center of Columbia and 8 at the Clarksville Surgery Center. The executed signature page for the management agreement is attached.

3. Section A, Applicant Profile, Item 6

The draft lease agreement is noted. Please attach a fully executed option to lease agreement or other appropriate documentation. The option to lease agreement must include the actual/anticipated term of the agreement and actual/anticipated lease expense.

RESPONSE: An executed signature page for the lease is attached.

4. Section A, Applicant Profile, Item 8

Please specify under 8.E, purpose for review.

RESPONSE: This will be a new institution, as well as the relocation of a project previously approved by the HSDA. A revised 8.E. page is attached.

5. Section B, Project Description, Item I.

In the previously approved project Surgery Center of Lebanon, CN0906-036A, the applicant indicated many physicians, including those involved in Tennessee Sports Medicine and the Lebanon Endoscopy Center, have moved their practices and their surgical facilities south to the I-40 corridor to provide better access to their patients. It appears the applicant in this application is relocating north of Interstate 40 in Lebanon. Please clarify how this relocation will better meet the needs of patients in terms of access as identified in the previously approved project.

Please describe the type of pain management procedures that will be performed at the proposed ASTC site.

The applicant states specialties to initially be represented in the proposed project includes orthopedics, pain management, ENT, general and plastic surgery. Please complete the following table that breaks out the total number of procedures and physicians that will be assigned to each specialty category.

Specialty	Total Cases In Year One	Estimated # of Staff Physicians
Orthopedics		
Pain Management		

ENT		
General Surgery		
Plastic Surgery		
Other		
Total		

RESPONSE: The applicant has been unable to construct this project at its originally approved site due to the financial difficulties of the developer who was supposed to build the MOB which was to have housed this ASTC originally. The new location as set forth in this application is easily accessible; it is just off U.S. Highway 70 in Lebanon, as well as being in close proximity to I-40 and State Route 840 as shown herein.

Specialty	Total Cases In Year One	Estimated # of Staff Physicians
Orthopedics	1155	5
Pain Management	265	2
ENT	287	2
General Surgery	225	8
Plastic Surgery	95	1
Other	378	4
Total	2,405	14

The applicant to deliver the following types of pain management procedures: radiofrequency discectomies, epidural injections, and facet injections, among other types of procedures.

Please indicate if the applicant plans to add additional surgical specialties to the proposed project in the future. If so, what types?

RESPONSE: The applicant will seek to add gynecology, podiatry, urology after opening if the market demands.

6. Section B, Item II B. (Project Description) (Plot Plan)

Your response is noted. Please identify where the proposed ASTC structure will be located on the plot plan. Please indicate and resubmit.

RESPONSE: The requested documentation is attached hereto.

7. Section B, Item III B. (1)

Please indicate the distance of interstate 40 and 840 to the proposed site.

RESPONSE: According to Mapquest.com, this project's site is 3.5 miles from I-40 and 4.5 miles from 840.

8. Section B. Item IV.

Please submit a floor plan drawing which includes legible labeling of patient care rooms, ancillary areas, equipment areas, etc. on an 8 ½" x 11" sheet of white paper.

RESPONSE: The requested floor plan is attached.

9. Section C, Need Item 1

Please discuss how the proposed project will relate to the "5 Principles for Achieving Better Health found in the State Health Plan."

RESPONSE:

1. *"The purpose of the State Health Plan is to improve the health of Tennesseans."*

RESPONSE: This project will meet the stated goals of this principle. This project will provide convenient, economical ambulatory surgical services to the people of the service area of Wilson, Macon and Trousdale Counties.

2. *"Every citizen should have reasonable access to health care."*

RESPONSE: This project will improve the access to healthcare in the service area. Because it is close to one of the main thoroughfares through the service area, U.S. Highway 70, as well as being quickly available from Interstate 40 and Route 840, this project will assist in insuring that the citizens of the service area have reasonable access to healthcare.

Furthermore, this project will further assist in assuring reasonable access to healthcare because it will serve all enrollees of all three of the TennCare MCOs that serve the people of this service area.

3. *"The state's health care resources should be developed to address the needs of Tennesseans while encouraging competitive markets, economic efficiencies, and the continued development of the state's health care system."*

RESPONSE: This project be efficient in that it provides a newly established ambulatory surgical treatment center that is efficiently designed and that will be competitive in the market for ambulatory surgical services. This will be an independent ambulatory surgical treatment center, not one that is owned by, or related to, any hospital or hospital system.

4. *"Every citizen should have confidence that the quality of health care is continually monitored and standards are adhered to by health care providers."*

RESPONSE: This project will meet the goals of this quality of care principle as set forth above, because it will be managed by an ambulatory surgical treatment center management company that has years of experience in monitoring and assuring that appropriate quality standards are met by the ASTCs that it has managed.

This project will be equitable because it will serve all of the enrollees of the area's three TennCare MCOs, as well as those individuals who have private insurance. It will be patient centered, timely and efficient because it is outpatient oriented and managed by an experienced management company. Its services will be safe and effective because they will be provided by experienced area surgeons whose own professional liability is on the line when they operate in this center.

5. *"The state should support the development, recruitment and retention of a sufficient and quality health care workforce."*

RESPONSE: This project will assist in developing, recruiting and retaining a high quality healthcare workforce. The management company which will manage this project has years of experience in recruitment and retention of a quality healthcare workforce in middle Tennessee, and will apply its experience and skills in this regard in this project.

10. Section C, Need Item 1.b.

Please provide an individual response to each of the following factors:

(4) Applications for Change of Site. When considering a certificate of need application which is limited to a request for a change of site for a proposed new health care institution, the HSDA may consider, in addition to the foregoing factors, the following factors:

- (a) **Need.** The applicant should show the proposed new site will serve the health care needs in the area to be served at least as well as the original site. The applicant should show that there is some significant legal, financial, or practical need to change the proposed new site.

RESPONSE: The applicant asserts that the proposed new site for the establishment of this ASTC project will serve the healthcare needs of the service area at least as well as the original site. It is, as noted above, very convenient to U.S. Highway 70 in Lebanon, Wilson County, as well as being close to Interstate 40 and Route 840. It is necessary for the applicant to change the site for the establishment of this ASTC because of the problems the developer of the proposed former site ran into with financing and carrying out the medical office building project in which this project was originally proposed to be located.

- (b) **Economic factors.** The applicant should show that the proposed new site would be at least as economically beneficial to the population to be served as the original site.

RESPONSE: This project is as economically beneficial to the population to be served as the original site. The applicant will offer its services, just as before, to all enrollees of the three TennCare MCOs in the service area. The easy access of this site to U.S. Highway 70, and its proximity to Interstate 40 as well, will make access to the site very economical for residents of the service area.

- (c) **Contribution to the orderly development of health care facilities and/or services.** The applicant should address any potential delays that would be caused by the proposed change of site, and show that any such delays are outweighed by the benefit that will be gained from the change of site by the population to be served.

RESPONSE: Because the original developer of the site was unable to complete construction of a medical office building which was to house this ASTC as originally proposed, this project will contribute to the orderly development of healthcare facilities in the area. This project, as proposed in this CON application, does not require the construction of a medical office building. It will be housed in a single purpose ASTC building of approximately 9,300 square feet, and it will have adequate parking and access to serve the needs of the service area. It will be much less expensive for the developer to complete than the original project, which required the completion of an MOB in which it was to be housed.

11. Section C, Need Item 1 (Specific Criteria –ASTC Item 3)

Please clarify the distance and driving time the proposed site is from Lebanon (Wilson County), Lafayette (Macon County) and Hartsville (Trousdale) County, TN.

RESPONSE: Per Mapquest.com, Lafayette, in Macon County, is 35 miles from the proposed site of this project. Driving time for these 35 miles is approximately 47 minutes. Hartsville, in Trousdale County, is 21 miles from the project's proposed site in Lebanon, with a driving time of approximately 29 minutes.

12. Section C, Need Item 1 (Specific Criteria –ASTC Item 7)

The projected utilization for the first 8 quarters of the project is noted. Please indicate if the utilization is projected in cases or procedures. If the utilization numbers are procedures, please project utilization in cases.

Please include the specific methodology used to project utilization for the first eight quarters of the proposed project.

RESPONSE: Utilization numbers are in cases. A revised Projected Data Chart is attached.

Please include the specific methodology used to project utilization for the first eight quarters of the proposed project.

These data were developed utilizing the historical experience of the manager in terms of the ramp up of caseload at new ASTCs, taking into account licensure, equipment purchases, managed care contracts, etc.

13. Section C. Item 2

Please indicate if there are any long-range development plans of the applicant beyond establishing an ambulatory surgery treatment center.

RESPONSE: The applicant has no long-range development plans beyond the development of the ASTC.

Does the applicant have in mind a group of anesthesiologists who would be interested and have the capability to provide anesthesia services to the ASTC? If so, please provide a letter of interest from the group which also described their willingness to provide services to TennCare beneficiaries.

RESPONSE: The requested documentation is attached hereto.

14. Section C, Need Item 4 (Service Area Demographics)

Please complete the following table for the service area population and demographics.

Demographic /Geographic Area	Macon County	Wilson County	Trousdale County	Service Area / Macon, Trousdale, Wilson County Total	State of TN Total
Total Population- Current Year -2013					
Total Population- Projected Year -2017					
Total Population-% change					
Age 65 & over Population - 2013					
Age 65 & over Population - 2017					
Age 65 & over Population - % change					
Age 65 & over Population as % of Total Population					
Median Household Income					
TennCare Enrollees					
TennCare Enrollees as % of Total					
Persons Below Poverty Level					

Mr. Phillip M. Earhart
February 27, 2013

SUPPLEMENTAL- # 1
February 27, 2013
4:19pm

Persons Below Poverty Level as % of Total					
---	--	--	--	--	--

The Tennessee Department of Health's Population Projections 2010-2020 should be used for the population projections, the US Census Bureau and the State of Tennessee Bureau of TennCare websites will be helpful in gathering the other demographic statistics.

RESPONSE:

Demographic /Geographic Area	Macon County	Wilson County	Trousdale County	Service Area / Macon, Trousdale, Wilson County Total	State of TN Total
Total Population-Current Year -2013	23,452	116,150	8,359	147,961	6,414,297
Total Population-Projected Year -2017	24,408	122,658	8,090	155,756	6,623,114
Total Population-% change	4.04%	5.6%	3.96%	5.3%	3.25%
Age 65 & over Population - 2013	2,867	14,229	1,274	18,370	881,390
Age 65 & over Population - 2017	2,703	16,548	1,437	20,688	1,015,339
Age 65 & over Population - % change	6.1%	16.3%	12.83%	12.6%	15.2%
Age 65 & over Population as % of Total Population	14.3%	12.62%	13.8%	12.4%	13.7%
Median Household Income	34,474	61,400	44,163	not known	\$43,939
TennCare Enrollees	5,865	14,294	1,651	21,349	1,213,475
TennCare Enrollees as % of Total	24.7%	12%	19.5%	14%	18.8%
Persons Below Poverty Level	8,184	9,872	1,245	19,301	1,084,016
Persons Below Poverty Level as % of Total	23.9%	8.5%	14.9%	13%	16.9%

15. Section C, Need Item 5

Please complete the following chart.

Provider	2009		2010		2011	
	# OR's	Cases	# OR's	Cases	# OR's	Cases
ASTC's						
Lebanon Endoscopy Ctr.						
Wilson County Eye Surgery Ctr.						

Lebanon Surgical Center						
Hospitals						
Macon Co. Gen Hospital						
Input Cases						
Output Cases						
University Med. Ctr.						
Input Cases						
Output Cases						
Trousdale Medical Center						
Input Cases						
Output Cases						
Total ORs available for Output Surgery						
Total Cases						
Total Output Cases						

RESPONSE:

Provider	2009		2010		2011	
	# ORs	Procs	# OR's	Procs	# ORs	Procs
ASTCs						
Lebanon Endoscopy Ctr.	2 procs	2,827 procs	2 procs	3,302 procs	2 procs	2,767 procs
Wilson County Eye Surgery Ctr.	1 proc	3,396 procs	1 OR + 1 proc	5,429 procs	1 OR + 1 proc	1,873 procs
Lebanon Surgical Center	1 proc + 1 OR	501 procs	1 proc + 1 OR	199 procs	1 OR + 1 proc	97 procs
Hospitals						
Macon Co. Gen Hospital	1IP + 1OP		1IP + 1OP		1OP + 1IP	
Input Procs		0		14 procs		35 procs
Output Procs		253 procs		352 procs		733 procs
University Med. Ctr.			4IP + 4OP		4IP + 4OP	
Input Procs		2,684		2,596 procs		2,435 procs
Output Procs		5,287		5,646 procs		5,570 procs
Trousdale Medical Center	1IP + 1OP		1IP + 1OP		0	
Input Procs		138 procs		19 procs		0
Output Procs		167 procs		22 procs		0
Total ORs available for Output Surgery OP & Proc	12		12		11	
Total Procs		15,253		17,579		13,510
Total Output Procs		12,431		14,768		11,040

16. Section C. Economic Feasibility Item 1 (Project Cost Chart)

The documentation from a health care experienced licensed architect, engineer, and/or health care facility contractor is noted. Please revise the provided documentation to reflect the proposed ASTC will conform to more recent 2010 AIA Guidelines for Design and Construction of Health Care Facilities.

The following definition regarding leased property cost in Tennessee Health Services and Development Agency Rule 0720-9-.01 (c) states "In calculating the value of a lease, the "cost" is the fair market value of the leased item or the total amount of the lease payment, whichever is greater." Please provide documentation of the fair market value of the premises leased and the calculation of the total amount of the lease payment over the five-year period.

Please provide a listing of the equipment which will cost over \$50,000 per item.

RESPONSE: The requested architectural documentation is attached. The Applicant expects to acquire a single C-arm for \$150,000 and two OR video towers with scopes for \$65,000 each.

The rule cited in this Request does not exist. Instead, Rule 0720-9.01(4)(c) states as follows:

(c) Lease, loan origin in calculating the value of a lease, loan, or gift, the "cost" is the fair market value of the above-described expenditures. In the case of a lease, the costs are the fair market value of the lease or the total amount of the lease payment whichever is greater. (Emphasis added.)

The "fair market value" of the lease at issue in this Certificate of Need must be the fair market value of the lease payments made thereunder.

To obtain the fair market value of lease payments made for five years in the future, those future payments must be discounted to present value. Thus, the actual payments made under the lease must exceed the net present value of those future payments today. The Certificate of Need application listed the total of lease payments made for the Projected Costs Chart.

17. Section C. Economic Feasibility Item 2

The applicant intends to fund the proposed project with a commercial loan. Please provide a letter from a lending institution or guarantor stating favorable initial contact, proposed loan amount, expected interest rates, and anticipated term of the loan, and any restrictions or conditions.

RESPONSE: The requested potential loan documentation is attached.

18. Section C, Economic Feasibility, Item 3

Please compare this project's cost per square foot to cost per square foot ranges of previously approved ASTC projects found in the "Applicant's Toolbox" on the HSDA website (www.tn.gov/hsda) or provide specific examples supporting the reasonableness of proposed project costs.

RESPONSE: Previously approved new ASTCs have run a median cost per square foot at \$252 and a first quartile cost of \$200 per square foot. The last projects completed by the applicant ran between \$200 and \$212 per square foot. The projected costs of \$220 per square foot, given that the plot is level, are appropriate given the cost of other similar projects. The applicant in CON application CN1204-019 reported costs per square foot of \$290 (Southern Sports Surgery Center). Similarly, Maury Regional Ambulatory Surgery Center's CON application, CN1111-046, projected costs of \$224 per square foot.

19. Section C, Economic Feasibility, Item 4

Please indicate the utilization data (specific unit of measure) on the Projected Data Chart in procedures and cases.

RESPONSE: The projected data chart utilization was set forth in cases. A corrected Projected Data Chart is attached.

20. Section C, Economic Feasibility, Item 5

Please identify the project's average gross charge, average deduction from operating revenue and average net charge.

RESPONSE: The requested data are set forth below:

Average Gross Charge:	\$3,810
Average Contractual Adjustment per case:	\$2,686
Average Net Revenue per case:	\$1,124

21. Section C, Economic Feasibility, Item 6 A. and 6.B

The projected charges for the anticipated top five procedures in noted. Please provide the proposed charge schedules for the proposal.

RESPONSE: In 2009, Medicare set ambulatory surgery center reimbursement at 57% of hospital reimbursement for all cases.

The applicant states Medicare reimbursement for procedures performed at free-standing ASTC's are more than 40% lower than reimbursement for the same procedures in hospitals. Please provide specific examples relative to the proposed project that supports this statement.

RESPONSE: Gross charge, contractual and Medicare reimbursement for top five procedures are currently projected to be as follows:

CPT	Description	Applicant's Proposed Charge	pm 3 19 Contractual	Medicare Allowable
29866	Knee Arthroscopy	\$5305	\$4244	\$1061
69436	Ear Tubes	3020	2416	604
42826	Tonsil Age >12	4455	3564	891
29806	Shoulder Arthroscopy	3890	3112	778
58671	Lap Tubal	8590	6872	1718

Please compare proposed charges to recently approved HSDA projects such as Southern Sports Surgery Center (CN1204-019A) and Maury Regional Ambulatory Surgery Center, LLC (CN1111-046A).

RESPONSE: Maury Regional ASC's CON application, CN1111-046A, projected (p.16) an average gross charge of \$4,500 with an average deduction of \$3,262, for an average net charge of \$1,237.

Southern Sports Surgery Center's CON application, CN1204-019, projected an average gross charge for surgery of \$5,600, with an average deduction of \$3,434, for an average net charge of \$1,766 for surgical cases.

22. Section C. Economic Feasibility, Item 8

Please describe the access to the mentioned revolving credit line and an equipment term loan the applicant mentions could be used on a worst case basis to continue to fund possible losses within the first two years of the proposed project.

RESPONSE: The applicant intends to have a \$250,000 revolving line of credit available to the company to fund any losses or unanticipated problems during the development, opening, and operation of the Surgery Center of Lebanon.

23. Section C. Economic Feasibility, Item 9

Please identify the three TennCare MCOs the applicant anticipates to contract with.

RESPONSE: The applicant anticipates contracting with the three TennCare MCOs who serve Middle Tennessee: Amerigroup, United Healthcare, and Blue Cross/TennCare Select

The anticipated TennCare and Medicare revenue percentages do not correspond to the Projected Data Chart Gross revenue projections. Please recalculate and resubmit a replacement page if necessary.

RESPONSE: The anticipated TennCare and Medicare revenue percentage as components of gross charges total as follows: Medicare charges equal to \$1,535,937 and projected TennCare charges equal approximately \$658,259. These figures are for the first year of the operations.

The application pages are correct as to percentages of utilization and year actual projections from Medicare and Medicaid.

24. Section C. Economic Feasibility, Item 10

Please provide financial information such as copies of balance sheets and income statements from the most recent reporting period for the corporation, partnership, or principal parties involved with the proposed project.

RESPONSE: Lebanon Healthcare Partners LLC has not begun operations yet and has no income. As of February 25, 2013, the balance sheet of LHP is as follows:

<u>Assets</u>		<u>Liabilities</u>
Cash	\$19,947	-0-
Certificate of Need	\$99,973	

The applicant indicated in the project Surgery Center of Lebanon CN0906-036, Specialty Surgery Centers of America, Inc. will have an ownership of 20% following CON approval. If so, please provide the above mentioned financial documents for that entity.

RESPONSE: Specialty Surgery Centers of America, Inc.'s organizational structure is attached. SSCA's balance sheet only shows the investment cost in each of the entities that it has investments in and does not show a market value of the entities. SSCA has no debt, had income for its owners in excess of \$250,000 last year, and has enough liquidity to fund the entire project itself.

25. Section C. Orderly Development, Item 9 and 10

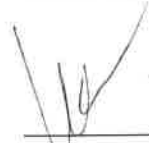
The applicant has responded "not applicable" to questions 9 and 10. Please indicate the applicant has researched the elements of these two questions relative to any entities or person with more than 5% ownership interest in the applicant or professional licenses held by the applicant. Please respond and submit a replacement page.

RESPONSE: Specialty Surgery Centers of America, Inc. and its affiliated entities have not had any of the negative actions described in questions 9 and 10 taken against them. The same is true of all other investors in the Lebanon Surgery Center. The other investors will all be physicians with hospital privileges. The screening mechanism for physician ownership in the Lebanon Surgery Center will further supplement the effect of hospital credentialing. The requested replacement page is attached.

Mr. Phillip M. Earhart
February 27, 2013

SUPPLEMENTAL- # 1
February 27, 2013
4:19pm

Sincerely,

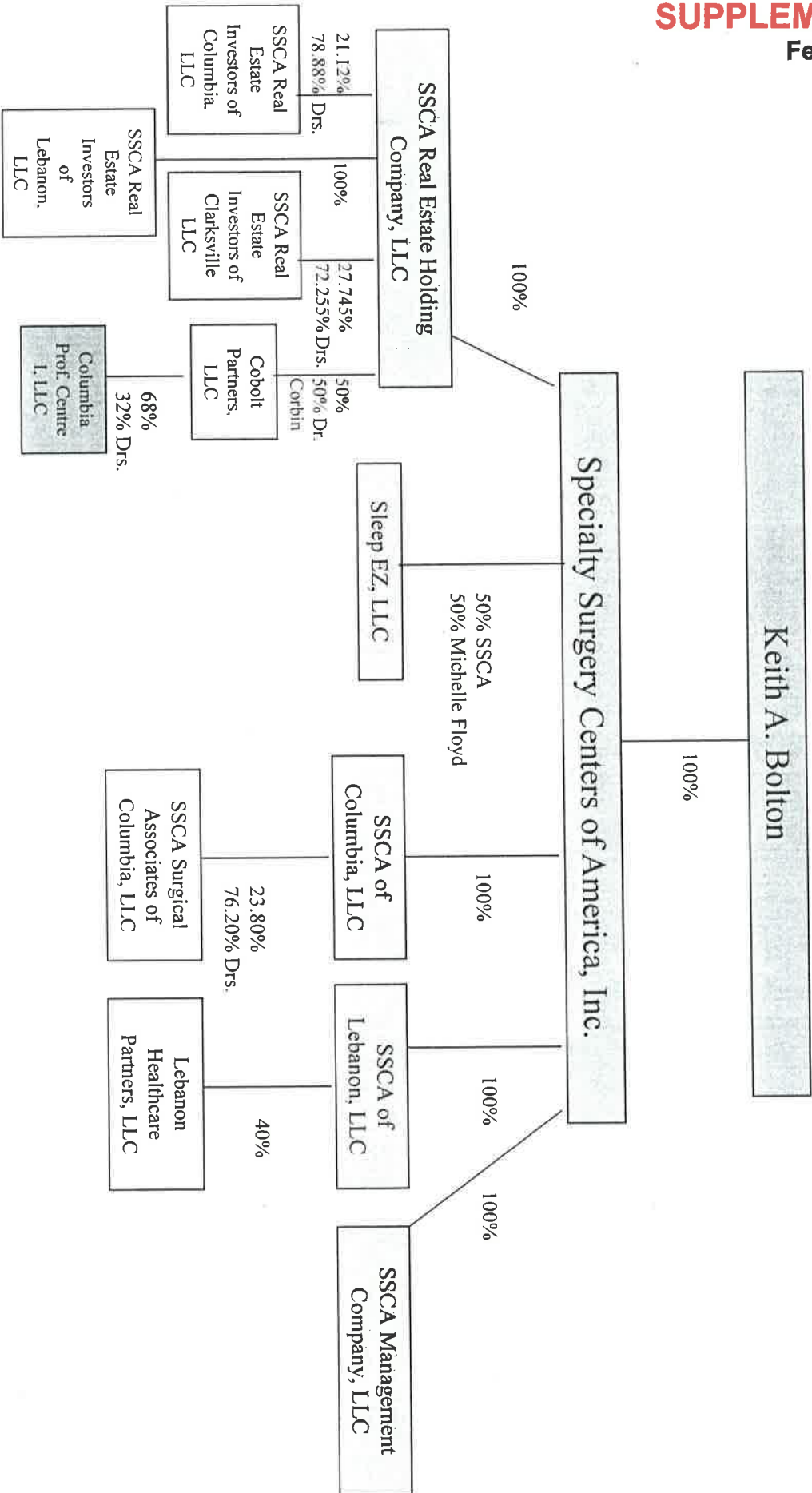
A handwritten signature in black ink, appearing to be 'KB', is written over a horizontal line.

Keith Bolton

Contact Person for Certificate of Need
Application CN1302-003
Surgery Center of Lebanon

Attachments

SSCA Organizational Chart



February 29, 2013
4:19pm

Specialty Surgery Centers of America, Inc. Formed: Merged 9/4/03 with SSCA Holding Company, Inc. EIN: 62-1746993 Control #: 0453322 Officers: President - KB; Secretary - Angela Bolton Directors: KB	SSCA Real Estate Holding Company, LLC Formed: 9/4/03 EIN: 20-0247490 Officers: C.M. - KB; Secretary - Angela Bolton	SSCA of Columbia, LLC Formed: 9/4/03 EIN: 20-0247401 Control #: 0453327 Officers: C.M. - KB; Secretary - Angela Bolton	SSCA of Lebanon, LLC Formed: 8/12/10 EIN: 27-3288753 Control #: 637729 Officers: C.M. - KB; Secretary - Angela Bolton	SSCA Management Company, LLC Formed: 9/4/03 EIN: 20-0247522 Control #: 0453326 Officers: C.M. - KB; Secretary - Angela Bolton	Columbia Professional Centre Partners I, LLC Formed: 02/20/08 EIN: 26-1999603 Control #: 000570571 Officers: C.M.-KB; Secretary - Dr. Corbin
--	--	--	---	---	--

SSCA Real Estate Investors of Columbia, LLC Formed: 9/4/03 EIN: 20-0247559 Control #: 0453330 Officers: C.M. - KB; Secretary - Dr. Marshall Governors: KB, Dr. Marshall, Dr. Corbin (2012)	SSCA Real Estate Investors of Clarksville, LLC Formed: 5/25/04 EIN: 20-1200545 Control #: 0470447 Governors: KB, Dr. Creekmore, Dr. Stanton (2012) Officers: President - KB	SSCA Surgical Associates of Columbia, LLC Formed: 10/13/00 Control #: 0397202 EIN: 62-1837149 Officers: C.M. - KB; Secretary - Dr. Brown Governors: KB, Dr. Bregman, Dr. Chuck (2012)	Lebanon Healthcare Partners, LLC Formed: 05/15/09 EIN: _____ Control #: 000602508 Officers: C.M. - KB; Secretary - _____ Governors: KB, Dr. Terry, Dr. Kaufman (2012)	Cobolt Partners, LLC Formed: 5/18/07 EIN: 26-0198254 Control #: 0549311 Officers: C.M. - KB; Secretary - Dr. Corbin	SSCA Real Estate Investors of Lebanon, LLC Formed: 01/29/13 EIN: _____ Control #: 707724 Officers: C.M. - KB; Secretary - Angela Bolton
---	--	--	---	--	--

February 27, 2013

4:19pm

IN WITNESS WHEREOF, the parties hereto have executed this Lease to be effective as of the Effective Date.

LANDLORD:

SSCA REAL ESTATE INVESTORS OF
LEBANON, LLC, a Tennessee limited liability
company

By: 

Title: _____

TENANT:

LEBANON HEALTHCARE PARTNERS, LLC,
a Tennessee limited liability company

By: 

Title: _____

February 27, 2013
4:19pm

5. **Name of Management/Operating Entity (If Applicable)**

Specialty Surgery Centers of America, Inc.
Name
9206 Concord Road Williamson
Street or Route County
Brentwood TN 37027
City State Zip Code

**PUT ALL ATTACHMENTS AT THE END OF THE APPLICATION IN ORDER AND
REFERENCE THE APPLICABLE ITEM NUMBER ON ALL ATTACHMENTS.**

6. **Legal Interest in the Site of the Institution (Check One)**

- | | | | |
|-----------------------|----------|--------------------|-------|
| A. Ownership | _____ | D. Option to Lease | _____ |
| B. Option to Purchase | _____ | E. Other (Specify) | _____ |
| C. Lease of 5 Years | <u>X</u> | | |

**PUT ALL ATTACHMENTS AT THE END OF THE APPLICATION IN ORDER AND
REFERENCE THE APPLICABLE ITEM NUMBER ON ALL ATTACHMENTS.**

Response: Please see corporate documents attached as Attachment A-6.

7. **Type of Institution (Check as appropriate--more than one response may apply)**

- | | | | |
|---|----------|---|-------|
| A. Hospital (Specify) | _____ | I. Nursing Home | _____ |
| B. Ambulatory Surgical Treatment
Center (ASTC), Multi-Specialty | <u>X</u> | J. Outpatient Diagnostic Center | _____ |
| C. ASTC, Single Specialty | _____ | K. Recuperation Center | _____ |
| D. Home Health Agency | _____ | L. Rehabilitation Facility | _____ |
| E. Hospice | _____ | M. Residential Hospice | _____ |
| F. Mental Health Hospital | _____ | N. Non-Residential Methadone
Facility | _____ |
| G. Mental Health Residential
Treatment Facility | _____ | O. Birthing Center | _____ |
| H. Mental Retardation Institutional
Habilitation Facility (ICF/MR) | _____ | P. Other Outpatient Facility
(Specify) | _____ |
| | | Q. Other (Specify) | _____ |

8. **Purpose of Review (Check) as appropriate--more than one response may apply)**

- | | | | |
|--|----------|---|----------|
| A. New Institution | <u>X</u> | H. Change in Bed Complement | _____ |
| B. Replacement/Existing Facility | _____ | [Please note the type of change
by underlining the appropriate
response: Increase, Decrease,
Designation, Distribution,
Conversion, Relocation] | |
| C. Modification/Existing Facility | _____ | | |
| D. Initiation of Health Care
Service as defined in
TCA § 68-11-1607(4) | _____ | I. Change of Location | <u>X</u> |
| E. (Specify) | _____ | J. Other (Specify) | _____ |
| F. Discontinuance of OB Services | _____ | | |
| G. Acquisition of Equipment | _____ | | |

SUPPLEMENTAL- # 1

February 27, 2013

4:19pm

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by themselves or their duly authorized representative as of the day and year first written above.

OWNER:

MANAGER:

LEBANON HEALTHCARE PARTNERS, LLC

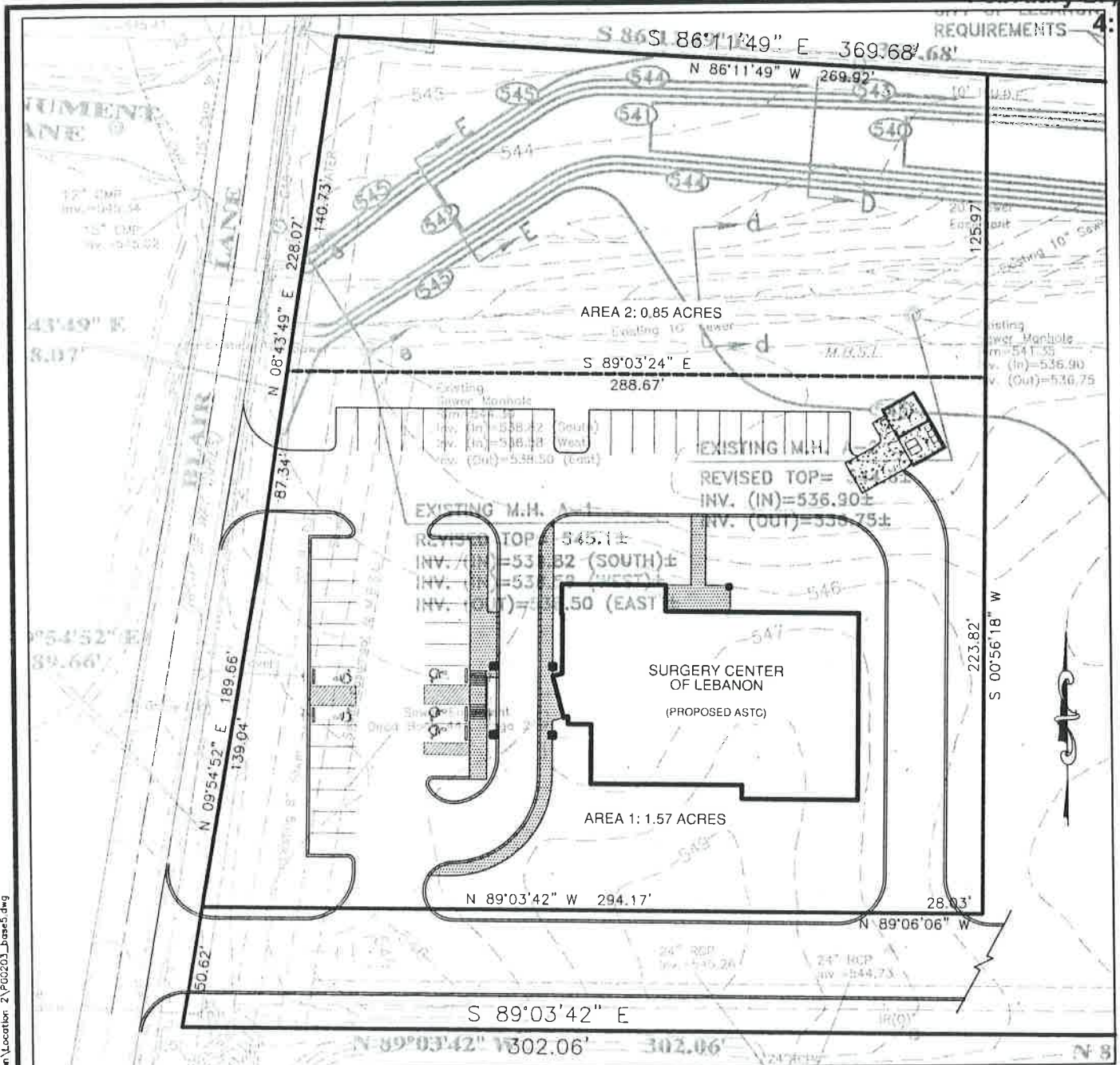
SSCA MANAGEMENT COMPANY, LLC

By: [Signature]

By: [Signature]

Title: member

Title: President



NOTES:

1. LOCATION: BLAIR LANE, LEBANON, TN
2. EXISTING ZONING B-1
3. TOTAL AREA: 2.42 ACRES

PROPOSED PLOT PLAN

NOT TO SCALE

1 of 1

SURGERY CENTER OF LEBANON

BLAIR LANE
LEBANON, TENNESSEE
SPECIALTY SURGERY CENTERS OF AMERICA, INC.

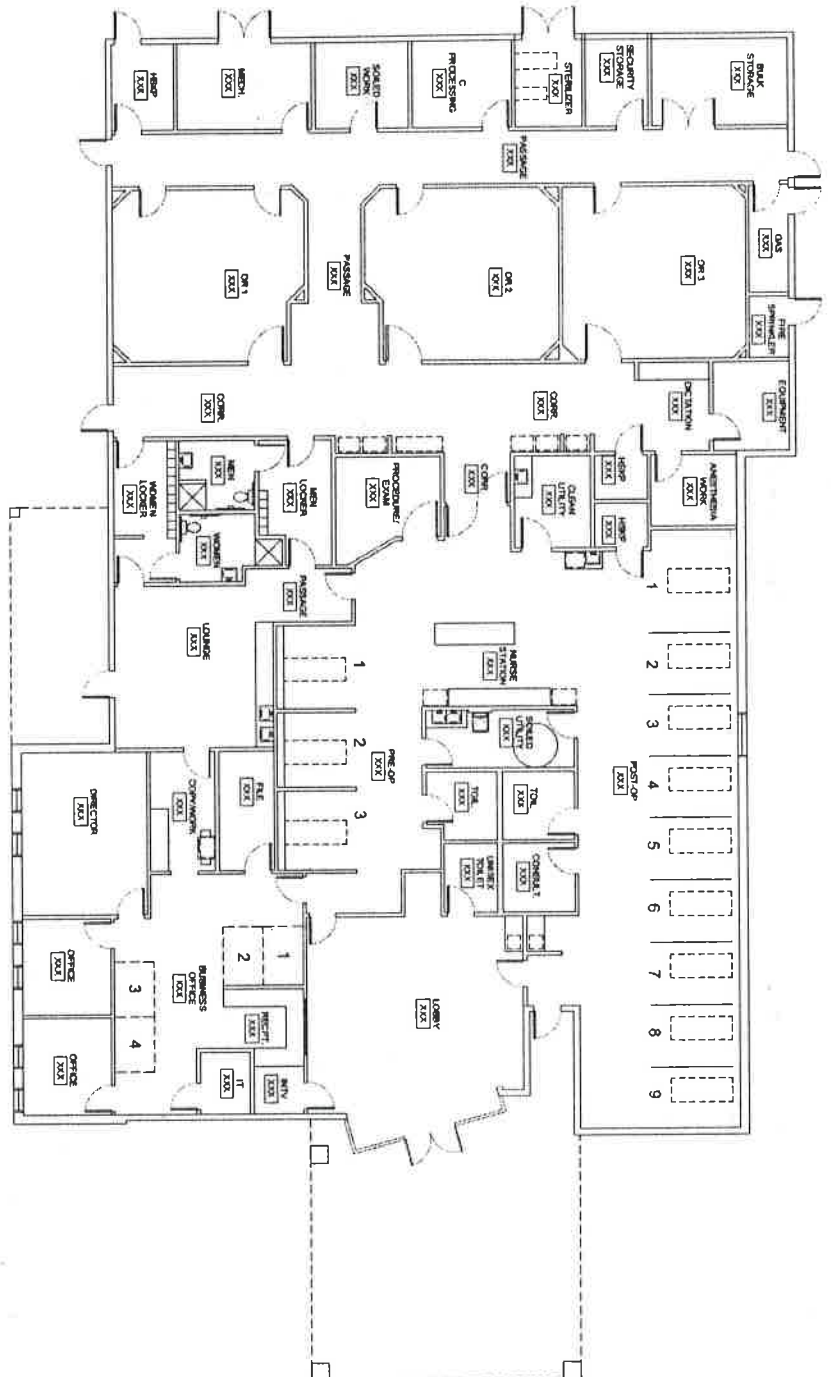


CIVIL ENGINEERING SURVEYING PLANNING
2488 NASHVILLE HIGHWAY
COLUMBIA, TN 38401
PHONE (830) 388-2329
www.webbengineering.com

SUPPLEMENTAL- # 1

February 27, 2013

4:19pm



TOTAL: 9,280 SQ. FT.

1 FLOOR PLAN





SUPPLEMENTAL- # 1
1614 17th Ave. South
Nashville, TN 37212
Office 615-277-1178
Fax 615-277-1179
www.projxllc.com

February 19, 2013

**RE: New Ambulatory Surgery Center in Lebanon, Tennessee
For Lebanon Healthcare Partners, LLC
ProjX Project No. 121004**

To Whom it May Concern:

I am an Architect, licensed in the State of Tennessee. My Architecture License number is 14946.

I designed the attached floor plan for the Ambulatory Surgery Center to be built in Lebanon, Tennessee. Total building size is 9,300 s.f. excluding canopies.

Final construction documents will conform to all codes as listed with the City of Lebanon and the State of Tennessee including:

- 2006 International Building Code
- 2006 International Plumbing Code
- 2006 International Mechanical Code
- 2002 National Electrical Code.
- 2006 International Fire Code
- 2006 International Fuel Gas Code
- 2006 International Existing Building Code
- 2002 North Carolina Handicap Code with 2004 Revisions
- Americans with Disabilities Act (ADA) with 2002 Amendments.
- 2006 Life Safety Code
- 2006 International Energy Conservation Code
- 2010 AIA Guidelines for Design and Construction of Health Care Facilities.
- 2003 ASHRAE Handbook of Fundamentals.

Our estimate of probable cost is \$220 per square foot.

With you in a Spirit of Service,

A handwritten signature in black ink, appearing to read "Ira A. Chilton".

Ira A. Chilton, NCARB
TN Architecture License #14946



CARDIOVASCULAR ANESTHESIOLOGIST SUPPLEMENTAL- # 1

February 27, 2013

4:19pm

Anesthesia and Intensive Care

NANCY J. DELBOY, M.D.
LAWRENCE W. FREUND, D.O.
PAUL A. MAZZONI, M.D.
DAVID NETTERVILLE, M.D.

BRIAN J. POORE, M.D.
KENNETH C. PETRONI, M.D.
ROSCOE V. ROBINSON, M.D.
JESSEE SCRUGGS, M.D.
RICHARD C. TOMICHEK, M.D.

February 13, 2013

Mr. Keith Bolton
Cameron Healthcare Partners, LLC
6000 Concord Road
Brentwood, TN 37027

Dear Mr. Bolton:

Thank you for your continued interest, support, and relationship with Cardiovascular Anesthesiologists, PC. As you know, we have enjoyed our relationship with you at some of your other surgery centers, and we look forward to our continued working relationship.

We are currently discussing a 12-week term to provide anesthesia for the surgery center located at the new Kohnen is Surgery Center in Lebanon. We would like to discuss the opportunity to continue providing to the Medical Anesthesiologists as well as the new center.

Please continue to keep us updated on the status of the project, and when you can, please let us know.

Thank you for your continued support of CVA.

Sincerely,



PROJECTED DATA CHART

Give information for the two (2) years following the completion of this proposal. The fiscal year begins in January (Month).

	Year 1	Year 2
A. Utilization Data (Specify unit of measure) cases	<u>2,405</u>	<u>3,650</u>
B. Revenue from Services to Patients		
1. Inpatient Services	\$ <u> </u>	\$ <u> </u>
2. Outpatient Services	<u>4,388,391</u>	<u>6,124,673</u>
3. Emergency Services	<u> </u>	<u> </u>
4. Other Operating Revenue (Specify) <u> </u>	<u> </u>	<u> </u>
Gross Operating Revenue	<u>\$4,388,391</u>	<u>\$6,124,673</u>
C. Deductions from Gross Operating Revenue		
1. Contractual Adjustments	<u>\$1,294,575</u>	<u>\$1,806,778</u>
2. Provision for Charity Care	<u>88,000</u>	<u>122,500</u>
3. Provisions for Bad Debt	<u>100,000</u>	<u>125,000</u>
Total Deductions	<u>\$1,482,575</u>	<u>\$2,054,278</u>
NET OPERATING REVENUE	<u>\$2,905,816</u>	<u>\$4,070,395</u>
D. Operating Expenses		
1. Salaries and Wages	<u>812,890</u>	<u>1,233,700</u>
2. Physician's Salaries and Wages	<u> </u>	<u> </u>
3. Supplies	<u>670,000</u>	<u>1,100,000</u>
4. Taxes	<u> </u>	<u> </u>
5. Depreciation	<u>160,715</u>	<u>160,715</u>
6. Rent	<u>186,000</u>	<u>186,000</u>
7. Interest, other than Capital	<u> </u>	<u> </u>
8. Management Fees:		
a. Fees to Affiliates	<u>174,350</u>	<u>244,224</u>
b. Fees to Non-Affiliates	<u> </u>	<u> </u>
9. Other Expenses (Specify) <u>Laundry, utilities, insurance, maintenance</u>	<u>428,000</u>	<u>430,000</u>
Total Operating Expenses	<u>\$2,431,955</u>	<u>\$3,354,639</u>
E. Other Revenue (Expenses) -- Net (Specify)	\$ <u> </u>	\$ <u> </u>
NET OPERATING INCOME (LOSS)	<u>\$473,861</u>	<u>\$715,756</u>
F. Capital Expenditures		
1. Retirement of Principal	<u>\$69,222</u>	<u>\$142,814</u>
2. Interest	<u>94,205</u>	<u>45,211</u>
Total Capital Expenditures	<u>\$163,247</u>	<u>\$188,025</u>
NET OPERATING INCOME (LOSS)		
LESS CAPITAL EXPENDITURES	<u>\$310,614</u>	<u>\$527,731</u>

Response: The Tennessee Department of Health, Division of Licensing and Certification would issue our license. The applicant will seek early accreditation with the Accreditation Association for Ambulatory Healthcare (AAAHC).

If an existing institution, please describe the current standing with any licensing, certifying, or accrediting agency. Provide a copy of the current license of the facility.

Response: Not applicable.

- (c) For existing licensed providers, document that all deficiencies (if any) cited in the last licensure certification and inspection have been addressed through an approved plan of correction. Please include a copy of the most recent licensure/certification inspection with an approved plan of correction.

Response: Not applicable.

9. Document and explain any final orders or judgments entered in any state or country by a licensing agency or court against professional licenses held by the applicant or any entities or persons with more than a 5% ownership interest in the applicant. Such information is to be provided for licenses regardless of whether such license is currently held.

Response: Specialty Surgery Centers of America, Inc. and its affiliated entities have not had any of the negative actions described in questions 9 and 10 taken against them. The same is true of all other investors in the Lebanon Surgery Center. The other investors will all be physicians with hospital privileges. The screening mechanism for physician ownership in the Lebanon Surgery Center will further supplement the effect of hospital credentialing.

10. Identify and explain any final civil or criminal judgments for fraud or theft against any person or entity with more than a 5% ownership interest in the project

Response: Specialty Surgery Centers of America, Inc. and its affiliated entities have not had any of the negative actions described in questions 9 and 10 taken against them. The same is true of all other investors in the Lebanon Surgery Center. The other investors will all be physicians with hospital privileges. The screening mechanism for physician ownership in the Lebanon Surgery Center will further supplement the effect of hospital credentialing.

11. If the proposal is approved, please discuss whether the applicant will provide the Tennessee Health Services and Development Agency and/or the reviewing agency information concerning the number of patients treated, the number and type of procedures performed, and other data as required.

Response: The applicant will provide the information as required.

February 27, 2013**4:19pm****Holloway, Melissa**

From: Becki Dyer <Becki.Dyer@myfirstfarmers.com>
Sent: Wednesday, February 27, 2013 9:07 AM
To: sscakeith@bellsouth.net
Cc: West, Bill
Subject: Term sheets
Attachments: Becki Dyer.vcf; Term Sheet SSCA Real Estate Signed 022613.pdf; Term Sheet Lebanon Healthcare Signed 022613.pdf

Hi Keith. If you need anything further, please let me know.

Thanks so much!



The information in this email and in any attachment is confidential and may be privileged. If you have received this message or a copy of this message in error, you should delete this message. Any unauthorized distribution, disclosure, or actions taken based on information contained herein is strictly prohibited.

FIRST FARMERS

Lebanon Healthcare Partners

Term Sheet

February 6, 2013

Borrower: Lebanon Healthcare Partners

Guarantors: All owners at 125% of their pro-rata % ownership

Credit Facility: (A) \$1,125,000 Equipment and Furniture Line and Term Financing
(B) \$ 350,000 working capital Line

Collateral: (A) 1st Lien on all equipment and furniture
(B) 1st Lien on Account Receivable and Inventory

Terms: (A) 6 months interest only converting to a 7 year Amortization of principle and interest monthly
(B) 75% advance against approved accounts receivables And 50% advance against inventory. Line to be approved Annually

Rate: (A) 4.5% fixed
(B) Prime + 1%

Commitment Fee: 1% on each facility

Prepayment Penalty: 1% if refinanced by another financial institution

Covenants: Annual financial information as requested by Bank from Borrower and guarantors. Monthly A/R aging, inventory Listing, and borrowing base certificates. DSC of 1.1X for Year one and 1.25X thereafter. All collateral is cross-Pledged and cross-defaulted

Closing Cost: Paid by Borrower

This is not a commitment to lend money. All terms and conditions are subject to change and credit approval. This term sheet is for discussion purposes only.

2-26-13

Richard S. (Dick) Service
Williamson County President
for Richard S. (Dick) Service

**February 27, 2013
4:19pm**

AFFIDAVIT

2013 FEB 27 PM 3 20

STATE OF TENNESSEE

COUNTY OF DAVIDSON

NAME OF FACILITY: Surgery Center of Lebanon

I, KEITH BOLTON, after first being duly sworn, state under oath that I am the applicant named in this Certificate of Need application or the lawful agent thereof, that I have reviewed all of the supplemental information submitted herewith, and that it is true, accurate, and complete.



Signature/Title

Sworn to and subscribed before me, a Notary Public, this the 27th day of February, 2013, witness my hand at office in the County of Davidson, State of Tennessee.



NOTARY PUBLIC

My commission expires:

5/5/15

Copy

**Additional Information for
Supplemental #1**

Surgery Center of Lebanon

CN1302-003

February 28, 2013
4:27pm

2013 FEB 28 PM 4 27

February 28, 2013

Mr. Phillip M. Earhart
Health Planner III
Tennessee Health Services and Development Agency
151 Rosa L. Parks Boulevard
Nashville, TN 37219

Via Hand Delivery

Re: Additional Supplemental Information Requests regarding Certificate of Need
Application CN1302-003 - Surgery Center of Lebanon

Dear Mr. Earhart:

Today, you raised with us two additional issues for which you seek additional information regarding your request for supplemental information in No. 20 and request for supplemental information No. 23.

With regard to No. 20, we have recalculated the average gross charge, average deduction and average net revenue per case, based on your comments. The correct figures are as set forth below:

Average Gross Charge:	\$1,825
Average Contractual Adjustment per case:	\$ 617
Average Net Revenue per case:	\$1,208

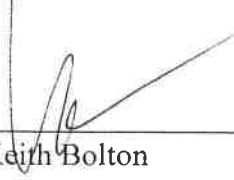
With regard to the question you raised as to request for supplemental information No. 23, we clarify our original response as follows. The references we made in the application in response to item 9, Section C. Economic Feasibility, was that our anticipated utilization of Medicare would be 35% of all patient visits, but 19% of actual total revenue in the first year can be explained. The reference to 35% is that the Surgery Center of Lebanon anticipates that 35% of its patients will be Medicare patients. However, the reference to "19% of total actual revenue in the first year" refers to the applicant's expectation that 19% of its "net operating revenue" as set forth on the Projected Data Chart will be approximately \$552,105. It is this amount of actual net operating revenue that the applicant projects will be attributable to Medicare. In our responses to your request for supplemental information on this issue, we were responding to a question regarding what amount of Lebanon Surgery Center's gross revenue would be anticipated to be Medicare revenue. That figure in our supplemental response is given as \$1,535,927, but the correct figure is \$1,535,937. The same is true in our supplemental response regarding TennCare projected amount of gross charges. Those are accurately set forth in our supplemental response as \$658,259. As noted, these figures are the anticipated figures for actual net operating revenues from these payors in the first year of operations.

Mr. Phillip M. Earhart
February 28, 2013

SUPPLEMENTAL- # 1
February 28, 2013
4:27pm

If you have any additional questions, please advise. I have attached an affidavit with this letter.

Sincerely,

A handwritten signature in black ink, appearing to be 'KB', is written over a horizontal line.

Keith Bolton

Contact Person for Certificate of Need
Application CN1302-003
Surgery Center of Lebanon

Attachment

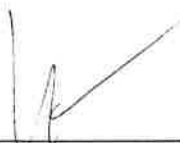
AFFIDAVIT

STATE OF TENNESSEE

COUNTY OF DAVIDSON

NAME OF FACILITY: Surgery Center of Lebanon

I, KEITH BOLTON, after first being duly sworn, state under oath that I am the applicant named in this Certificate of Need application or the lawful agent thereof, that I have reviewed all of the supplemental information submitted herewith, and that it is true, accurate, and complete.



Signature/Title

Sworn to and subscribed before me, a Notary Public, this the 28th day of February, 2013, witness my hand at office in the County of Davidson, State of Tennessee.



NOTARY PUBLIC

My commission expires:

5/5/15



State of Tennessee

Health Services and Development Agency

Frost Building, 3rd Floor, 161 Rosa L. Parks Boulevard, Nashville, TN 37243

www.tn.gov/hsda Phone: 615-741-2364/Fax: 615-741-9884

May 1, 2013

Keith Bolton, CEO
Specialty Surgery Centers of America, Inc.
9206 Concord Road
Brentwood, TN 37027

RE: Surgery Center of Lebanon - Certificate of Need CN1302-003

Relocation of an approved but unimplemented certificate of need (CN0906-036) for a multi-specialty surgery center from 101 Physicians Way to an unaddressed site on the east side of Blair Lane & Hwy 70 in Lebanon (Wilson County), TN. The facility will include 9,300 SF with 3 ORs and 1 procedure room.

Dear Mr. Bolton:

This is to notify you that the referenced application is scheduled to be acted upon by the Agency at its next monthly meeting in Nashville on Wednesday, May 22, 2013, beginning at 8:30 A.M. The meeting will be held at the following location:

Legislative Plaza, Room 12
Sixth Avenue North & Union Street
Nashville, TN

Please be present and prepared to make a brief presentation and to respond to any questions regarding the application. Your presentation should address the following:

- Why the project is needed to provide necessary health care in the service area;
- How it can be economically accomplished and maintained; and,
- Its contribution to the orderly development of adequate and effective health care facilities and/or services.

In its review of the project, the Agency will weigh and consider the health care needs of consumers, particularly women, racial and ethnic minorities, TennCare or Medicaid recipients and low income groups. The applicant's current and future commitment to TennCare and any contractual agreements should be disclosed if applicable to the type facility or service sought.

Keith Bolton, CEO
May 1, 2013
Page 2

Should you desire that Agency members receive information that has not been previously submitted, please forward twenty-four (24) copies of the information to this office by noon on **May 8, 2013.**

Meeting procedure information is enclosed for your review. Please call if you have any questions.

Sincerely,

A handwritten signature in dark ink, appearing to read "Melanie M. Hill", written in a cursive style.

Melanie M. Hill
Executive Director

MMH/as
Enclosure

HEALTH SERVICES AND DEVELOPMENT AGENCY
MAY 22, 2013
APPLICATION SUMMARY

NAME OF PROJECT: Surgery Center of Lebanon

PROJECT NUMBER: CN1302-003

ADDRESS: Unaddressed site located on the east side of Blair Lane, near the intersection of Blair Lane and Monument Lane
Lebanon (Wilson County), Tennessee 37087

LEGAL OWNER: Lebanon Healthcare Partners, LLC
102 Hartman Drive, Suite G
Lebanon (Wilson County), Tennessee 37087

OPERATING ENTITY: Specialty Surgery Centers of America, Inc.
9206 Concord Road
Brentwood, Tennessee 37027

CONTACT PERSON: Keith Bolton
(931) 801-2558

DATE FILED: February 14, 2013

PROJECT COST: \$ 2,212,467

FINANCING: Commercial Loan

PURPOSE OF REVIEW: The relocation of a previously approved a Multi-Specialty Ambulatory Surgical Treatment Center (ASTC), CN0906-036A

DESCRIPTION:

Surgery Center of Lebanon is seeking approval for the relocation of an approved but unimplemented Certificate of Need (CON) for a multi-specialty ambulatory surgical treatment center (ASTC) from its originally approved site at 101 Physicians Way, Lebanon (Wilson County), TN to a new unaddressed site located on the east side of Blair Lane in Lebanon (Wilson County), TN. The surgery center will be a venture comprised of an LLC whose members are local

Surgery Center of Lebanon
CN1302-003
May 22, 2013
Page 1

physicians and Brentwood, Tennessee based Specialty Surgery Centers of America, Inc. Specialties to initially be offered include orthopedics, pain management, ENT (Ear, Nose, and Throat), general surgery and plastic surgery.

CRITERIA AND STANDARDS REVIEW

GENERAL CRITERIA FOR CERTIFICATION OF NEED

(4) Applications for Change of Site. When considering a certificate of need application which is limited to a request for a change of site for a proposed new health care institution, the Commission may consider, in addition to the foregoing factors, the following factors:

(a) Need. The applicant should show the proposed new site will serve the health care needs in the area to be served at least as well as the original site. The applicant should show that there is some significant legal, financial, or practical need to change the proposed new site.

The applicant states the new proposed ASTC site is convenient to Highway 70 in Lebanon, Interstate 40 and Route 840. The applicant indicates the developer of the formerly approved ASTC site (CN0702-011A) experienced financing issues that adversely impacted the completion of the project.

It appears that this criterion has been met.

(b) Economic factors. The applicant should show that the proposed new site would be at least as economically beneficial to the population to be served as the original site.

The applicant states the new proposed location will provide easy access to the population to be served by being in close proximity to major roadways. In addition, the applicant indicates all three TennCare MCOs in the proposed service area will be contracted.

It appears that this criterion has been met.

(c) Contribution to the orderly development of health care facilities and/or services. The applicant should address any potential delays that would be caused by the proposed change of site, and show that any such delays are outweighed by the benefit that will be gained from the change of site by the population to be served.

The applicant does not foresee any delays in the proposed ASTC. Lebanon Healthcare Partners will develop and own the property (1.6 acres) and facility by investing in a related company, SSCA Real Estate Investors of Lebanon, LLC.

It appears that this criterion has been met.

SUMMARY:

The new free standing ASTC will be Medicare certified with three (3) operating rooms and one (1) procedure room. The ASTC will be located in a single-story building which the applicant states will allow more accessibility to ambulatory and wheelchair dependent patients. If approved, the proposed ASTC relocation project is expected to be completed in fifteen (15) months. The next two paragraphs provide background and historical information relative to this Certificate of Need application.

Background Information

In 2007, University Medical Center, with the support of its medical staff, filed a Certificate of Need application (CN0702-011A) to relocate and replace with expansion its existing one (1) operating room, (one) 1 procedure room ASTC, citing facility inefficiencies as one of the reasons for submitting the CON. The new replacement ASTC was to be a modern facility with three (3) operating rooms and two (2) procedure rooms. This state of the art facility was to be joint ventured with physician investors from UMC medical staff. The Certificate of Need (CN0702-011A) for the new facility was approved in May 2007 and construction was to begin in March 2008 with a completion date of January 1, 2009. According to the applicant, sometime in between the award of the CON and initiation of the construction of the project, UMC changed its business plans and tried to complete a joint venture of the entire hospital. Investors in the proposed ASTC syndication had their checks returned. The proposed joint venture of the hospital subsequently failed, and the ASTC's Certificate of Need was set to expire on July 1, 2009. UMC was granted a modification to the ASTC's CON at the June 20, 2009 Agency meeting, extending its expiration date to July 1, 2010. UMC's Certificate of Need CN0702-011A expired July 1, 2010 and was never implemented.

After the physicians were refunded their money from the ASTC syndication, they began to explore other options for providing the necessary outpatient surgery services to patients in the service area. On April 28, 2010 a CON, CN0906-036A, was granted by the Agency to the applicant, Lebanon Healthcare Partners, LLC for an ASTC located near the Hartmann Drive and I-40 intersection in Lebanon, TN. University Medical Center appealed the approval

Surgery Center of Lebanon

CN1302-003

May 22, 2013

Page 3

of the CON, and voluntarily dismissed its appeal after (9) months; which extended the expiration date of the CON to March 14, 2013. The applicant then attempted to complete CN0906-036A but the developers of the proposed building which was to house the project ran into financial difficulties. A six-month extension was granted at the February 27, 2013 Agency meeting extending the project expiration date from March 14, 2013 to October 14, 2013. In addition, the applicant has also filed this application (CN1302-003) to relocate the same previously approved ASTC (CN0906-036A) to Blair Lane, Lebanon, TN.

Lebanon Healthcare Partners, LLC, d/b/a Surgery Center of Lebanon, is a physician owned Tennessee Limited Liability Corporation organized May 15, 1999. The applicant indicates it is expected the proposed project management entity, Specialty Surgery Centers of America, Inc., will have an ownership interest of approximately 20% following CON approval. Specialty Surgery Centers of America, Inc. (SSCA) is a for-profit corporation headquartered in Brentwood, Tennessee. Keith Bolton is the sole owner of SSCA, which has ownership interest and provides management services to two (2) multi-disciplinary ambulatory surgical treatment centers within Tennessee: Surgery Center of Columbia in Columbia (Maury County), TN and Clarksville Surgery Center in Clarksville (Montgomery County), TN.

Specialties to initially be represented in the ASTC include Orthopedics, Pain Management, ENT, General Surgery, and Plastic Surgery. The applicant is expected to deliver the following types of pain management procedures: radiofrequency discectomies, epidural injections, and facet injections. The following table breaks out the total number of procedures and physicians that will be assigned to each specialty category.

Specialty	Total Cases In Year One	Estimated # of Staff Physicians
Orthopedics	1,155	5
Pain Management	265	2
ENT	287	2
General Surgery	225	8
Plastic Surgery	95	1
Other	378	4
Total	2,405	14

In the supplemental response, the applicant indicated specialties such as gynecology, podiatry and urology may be added to the ASTC after opening if there is a demand in the market.

The applicant's proposed service area is anticipated to incorporate Wilson, Macon, and Trousdale Counties. The service area was selected based on the historical patient origins of the physicians involved with this project. Approximately 54% percent of their patients are from Wilson County, 14% percent from Macon County and 10% from Trousdale County.

According to the Tennessee Department of Health's Division of Health Statistics, the service area currently has a 2013 population of 147,961 which is estimated to grow 5.3% to 155,756 persons by 2017.

According to the Department of Health, there are four (4) ASTCs in the defined service area: three (3) single specialty ASTCs (ophthalmology, gastroenterology (GI), and orthopedic with pain management) facilities and one (1) multi-specialty ASTC. Macon and Trousdale Counties do not have any ASTCs. All four ASTCs are in the most populated county of the service area: Wilson County. As indicated by the following table, there was only one ASTC located in the proposed service area that exceeded the Guidelines for Growth standard of 800 annual cases/room. The single-specialty, Lebanon Endoscopy Center with two procedures rooms, operated at 162% operating efficiency. In contrast, the Multi-Specialty, Lebanon Surgical Center with one operating room and 1 procedure room, operated at 4.3% operating efficiency in 2011 experiencing a -311% decrease from 284 surgical cases in 2009 to 69 surgical cases in 2011. In 2011, 47 of the 69 patients, or 68% of Lebanon Surgical Center's patients received plastic surgery services. Overall, single specialty ASTC's in the service area performed at 83.1% capacity and multi-specialty ASTCs performed at 4.3% of capacity.

**Proposed Service Area ASTC Utilization Trends
2009-2011**

Type	Facility	County	Operating/ Procedure Rooms	2009 Cases	2010 Cases	2011 Cases	2011 % Utilization vs. 800 Annual Procedures/Room Standard*
Single Specialty (Eye)	Wilson Co. Eye Surgery Center	Wilson	2 1 OR 1 PR	1,314	1,978	1,466	91.6%
Single Specialty (GI)	Lebanon Endoscopy Center	Wilson	2 Total 2 PR	2,637	3,051	2,598	162%
Single Specialty (Orthopedic & Pain Mgmt for Practice only)	*Providence Surgery Center formerly TN Sports Medicine Surgery Ctr.	Wilson	3 2 OR 1 PR	84	1,283	589	24.5%
Single Specialty Total	3		7 3 OR 4 PR	4,035	6,312	4,653	83.1%
Multi Specialty	Lebanon Surgical Center	Wilson	2 Total 1 OR 1 PR	284	164	69	4.3%
Multi Specialty Total	1		2 1 OR 1 PR	284	164	69	4.3%

*Based on 800 procedures per room per year

Source: TN Department of Health, Joint Annual Report for ASTCs, 2009, 2010 & 2011

*Providence Surgery Center's Joint Annual Reports for years 2009-2011 were not posted until April 8, 2013 and are not reflected in the application.

The hospitals in the service also offer outpatient surgery services. There are no standards regarding hospital operating room utilization. For informational purposes, the area hospitals' operating room capacities and outpatient surgical utilization are provided below:

**Proposed Service Area Hospital Surgery Utilization Trends
2009-2011**

Hospital	County	2009 Procedures	2010 Procedures	2011 Procedures	2009-2011 % Change
University Medical Center	Wilson	5,287 Encounters	5,147 Encounters	5,212 Encounters	-1.4%
Macon Co. Gen. Hospital	Macon	218 Encounters	337 Encounters	697 Encounters	+219%
Trousdale Medical Center	Trousdale	154 Encounters	21 Encounters	0 Encounters	N/A
Total		5,659	5,505	5,909	4.4%

Source: TN Department of Health, Joint Annual Report for Hospitals, 2009, 2010 & 2011

The applicant indicates some of the partners in Lebanon Healthcare Partners will develop and own the property (1.6 acres) and facility by investing in a related company, SSCA Real Estate Investors of Lebanon, LLC. The Surgery Center will

lease space from the SSCA Real Estate Investors on a five year lease with four options to extend the lease another 5 years. All the construction costs for the facility will be the responsibility of the landlord.

The applicant stipulates the design and construction of the proposed facility will meet all applicable federal, state and local standards, codes and regulations, including the 2010 AIA Guidelines for Design and Construction of Health Care Facilities. The proposed project involves approximately 9,300 sq. ft. of new construction. The applicant estimates the cost of construction to be approximately \$220.00 per square foot. The projected cost per square foot is between the 1st quartile cost of \$200.00/sq. ft. and the median cost of \$252.74/sq. for new Ambulatory Surgical Treatment Center projects between 2009 and 2011.

The projected 2,405 procedures will produce Gross Operating Revenues (GOR) of \$4,388,391 in the first year of operation, growing to 3,650 procedures and \$6,124,673 GOR in year two. Deductions from Operating Revenue of 34% will reduce the Net Operating Revenue (NOR) to \$2,905,816 in the first year and \$4,070,395 in the second year. Charity Care and Bad Debts are budgeted at 4.3% within the Deductions from Revenue estimates. Net Operating Income of \$473,861 is projected in the first year, while \$715,756 in Net Operating Income is estimated in the second year. Annual Capital Expenditures of \$163,247 will reduce the first year's projected Net Operating Income Less the Capital Expenditures to 310,614. Similar charges for Annual Capital Expenditures in the second year will produce Net Operating Income Less Capital Expenditures of \$527,731. Management fees will be paid at the rate of 6% of net (cash).

The applicant anticipates staffing the proposed ASTC initially with six (6) registered nurses, four (4) scrub techs and 3-4 LPNs. The applicant intends to be licensed by the Tennessee Department of Health's Board for Licensing Health Care Facilities and will seek accreditation with the Accreditation Association for Ambulatory Healthcare (AAAHHC).

The project's Medicare and TennCare gross revenues are projected at \$1,535,937 (19%) and \$658,259 (10.1%), respectively. The applicant anticipates participating in all three TennCare MCOs operating in the services area: AmeriChoice, AmeriGroup and TennCare Select. All of the physicians currently associated with the applicant and SSCA are participants in all three TennCare plans. The average gross charge is \$1,825/case. The Average Net Charge is estimated to be \$1,208/case.

The cost of the project for CON purposes is projected to be \$2,212,467. Of this total amount, \$930,000 is for the facility; \$75,000 for Architectural and Engineering Fees, \$1,125,000 is for moveable equipment; \$52,500 is for Reserve

Surgery Center of Lebanon

CN1302-003

May 22, 2013

Page 7

for One Year's Debt Service; and the remaining \$29,967 being for legal, administrative and consulting fees, and CON filing fees.

The applicant indicates the proposed project will be financed with a commercial loan. A term sheet dated February 6, 2013 from First Farmers and Merchants Bank indicates interest in providing the applicant a \$1,125,000 loan and a \$350,000 working capital line.

The applicant has submitted the required corporate documentation, real estate option to lease and management agreement. Staff will have a copy of these documents available for member reference at the meeting. Copies are also available for review at the Health Services and Development Agency's office.

Should the Agency vote to approve this project, the CON would expire in two years.

CERTIFICATE OF NEED INFORMATION FOR THE APPLICANT:

There are no other Letters of Intent, denied or pending applications for this applicant.

Outstanding Certificates of Need:

Surgery Center of Lebanon, CN0906-036A, has an outstanding Certificate of Need that will expire on October 14, 2013. The CON was approved at the April 28, 2010 Agency meeting for the establishment of an ambulatory surgical treatment center (ASTC) with three (3) operating rooms and one (1) procedure room. The estimated project cost is **\$4,376,825.00**. University Medical Center appealed the approval of the CON, and voluntarily dismissed its appeal after (9) months; which extended the expiration date of the CON to March 14, 2013. *Project Status Report: A request under General Counsel's Report, for a six month extension of the expiration date from March 14, 2013 to October 14, 2013 was granted by the Agency at the February 27, 2013 Agency meeting, for the purpose of filing the proposed project CN1302-003.*

CERTIFICATE OF NEED INFORMATION FOR OTHER SERVICE AREA FACILITIES:

There are no other Letters of Intent, denied applications, pending applications or Outstanding Certificates of Need for other service area facilities providing this type of service.

PLEASE REFER TO THE REPORT BY THE DEPARTMENT OF HEALTH, DIVISION OF HEALTH STATISTICS, FOR A DETAILED ANALYSIS OF THE STATUTORY CRITERIA OF NEED, ECONOMIC FEASIBILITY, AND CONTRIBUTION TO THE ORDERLY DEVELOPMENT OF HEALTH CARE IN THE AREA FOR THIS PROJECT. THAT REPORT IS ATTACHED TO THIS SUMMARY IMMEDIATELY FOLLOWING THE COLOR DIVIDER PAGE.

PME
(4-8-13)

LETTER OF INTENT



2013 FEB -8 AM 11:58

LETTER OF INTENT TENNESSEE HEALTH SERVICES AND DEVELOPMENT AGENCY

The Publication of Intent is to be published in the The Lebanon Democrat which is a newspaper
of general circulation in Wilson County, Tennessee, on or before February 9, 2013
(County) (Name of Newspaper) (Month / day) (Year)
for one day.

This is to provide official notice to the Health Services and Development Agency and all interested parties, in accordance with T.C.A. § 68-11-1601 *et seq.*, and the Rules of the Health Services and Development Agency,

Surgery Center of Lebanon

(Name of Applicant)

N/A

(Facility Type-Existing)

owned by: Lebanon Healthcare Partners, LLC with an ownership type of limited liability company
and to be managed by: Specialty Surgery Centers of America, Inc. intends to file an application for a Certificate of Need
for [PROJECT DESCRIPTION BEGINS HERE]:

The relocation of an approved but unimplemented certificate of need for a multi-specialty surgery center. The proposed facility previously approved under CON CN0906-036 will be relocated from its original approved site at 101 Physicians Way, Lebanon (Wilson County), TN 37087 to a new unaddressed site located on the east side of Blair Lane in Lebanon, Wilson County, Tennessee, 37087. The new, unaddressed site is approximately one-quarter mile south of the intersection of Blair Lane and U.S. Highway 70 in Lebanon, and approximately 200 yards south of the intersection of Blair Lane and Monument Lane in Lebanon. As with the originally approved CON application, this ASTC will include three operating rooms and one procedure room, as well as requisite clinical and support space, including 12 pre-operation and post-operation bed spaces. The projected square footage for this project is approximately 9,300 square feet. The estimated project costs are approximately \$2,300,000.

The anticipated date of filing the application is: February 14, 2013

The contact person for this project is Keith Bolton

(Contact Name)

CEO

(Title)

who may be reached at: Specialty Surgery Centers of America, Inc.

(Company Name)

9206 Concord Road

(Address)

Brentwood

(City)

TN

(State)

37027

(Zip Code)

931-801-2558

(Area Code / Phone Number)

[Signature]

(Signature)

2/8/2013

(Date)

sscakeith@bellsouth.net

(E-mail Address)

The Letter of Intent must be filed in triplicate and received between the first and the tenth day of the month. If the last day for filing is a Saturday, Sunday or State Holiday, filing must occur on the preceding business day. File this form at the following address:

Health Services and Development Agency
The Frost Building, Third Floor
161 Rosa L. Parks Boulevard
Nashville, Tennessee 37243

The published Letter of Intent must contain the following statement pursuant to T.C.A. § 68-11-1607(c)(1). (A) Any health care institution wishing to oppose a Certificate of Need application must file a written notice with the Health Services and Development Agency no later than fifteen (15) days before the regularly scheduled Health Services and Development Agency meeting at which the application is originally scheduled; and (B) Any other person wishing to oppose the application must file written objection with the Health Services and Development Agency at or prior to the consideration of the application by the Agency.

ORIGINAL
APPLICATION

1. Name of Facility, Agency, or Institution

2013 FEB 14 PM 2 53

Surgery Center of Lebanon

Name

unaddressed site located on the east side of Blair Lane, approximately 200 yards south of intersection of Blair Lane and Monument Lane

Street or Route

Lebanon

City

TN

State

Wilson

County

37087

Zip Code

2. Contact Person Available for Responses to Questions

Keith Bolton

Name

CEO

Title

Specialty Surgery Centers of America, Inc.

Company Name

sscakeith@bellsouth.net

Email address

9206 Concord Road

Street or Route

Brentwood TN

City State

37027

Zip Code

CEO of Management Entity

Association with Owner

931/801-2558

Phone Number

615/371-6778

Fax Number

3. Owner of the Facility, Agency or Institution

Lebanon Healthcare Partners, LLC

Name

102 Hartman Drive, Suite G

Street or Route

Lebanon

City

TN

State

Phone Number

Wilson

County

37087

Zip Code

4. Type of Ownership of Control (Check One)

A. Sole Proprietorship _____

B. Partnership _____

C. Limited Partnership _____

D. Corporation (For Profit) _____

E. Corporation (Not-for-Profit) _____

F. Government (State of TN or Political Subdivision) _____

G. Joint Venture _____

H. Limited Liability Company ☒

I. Other (Specify) _____

PUT ALL ATTACHMENTS AT THE BACK OF THE APPLICATION IN ORDER AND
REFERENCE THE APPLICABLE ITEM NUMBER ON ALL ATTACHMENTS.

Response: Please see organizational documents included as Attachment A-4.

February 27, 2013
4:19pm5. Name of Management/Operating Entity (If Applicable)

Specialty Surgery Centers of America, Inc.

Name

9206 Concord Road

Street or Route

Brentwood

City

TN

State

Williamson

County

37027

Zip Code

PUT ALL ATTACHMENTS AT THE END OF THE APPLICATION IN ORDER AND
REFERENCE THE APPLICABLE ITEM NUMBER ON ALL ATTACHMENTS.

6. Legal Interest in the Site of the Institution (Check One)

A. Ownership

B. Option to Purchase

C. Lease of 5 Years

D. Option to Lease

E. Other (Specify)

☒

PUT ALL ATTACHMENTS AT THE END OF THE APPLICATION IN ORDER AND
REFERENCE THE APPLICABLE ITEM NUMBER ON ALL ATTACHMENTS.

Response: Please see corporate documents attached as Attachment A-6.

7. Type of Institution (Check as appropriate--more than one response may apply)

A. Hospital (Specify)

B. Ambulatory Surgical Treatment
Center (ASTC), Multi-Specialty

C. ASTC, Single Specialty

D. Home Health Agency

E. Hospice

F. Mental Health Hospital

G. Mental Health Residential
Treatment FacilityH. Mental Retardation Institutional
Habilitation Facility (ICF/MR)

I. Nursing Home

J. Outpatient Diagnostic Center

K. Recuperation Center

L. Rehabilitation Facility

M. Residential Hospice

N. Non-Residential Methadone
Facility

O. Birthing Center

P. Other Outpatient Facility
(Specify)

Q. Other (Specify)

☒☐☐☐☐☐☐☐☐☐8. Purpose of Review (Check) as appropriate--more than one response may apply)

A. New Institution

B. Replacement/Existing Facility

C. Modification/Existing Facility

D. Initiation of Health Care
Service as defined in
TCA § 68-11-1607(4)

E. (Specify)

F. Discontinuance of OB Services

G. Acquisition of Equipment

H. Change in Bed Complement

[Please note the type of change
by underlining the appropriate
response: Increase, Decrease,
Designation, Distribution,
Conversion, Relocation]

I. Change of Location

J. Other (Specify)

☒☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☒

9. **Bed Complement Data** N/A

Please indicate current and proposed distribution and certification of facility beds.

	Current Beds		Staffed	Beds	TOTAL
	Licensed	*CON	Beds	Proposed	Beds at Completion
A. Medical	_____	_____	_____	_____	_____
B. Surgical	_____	_____	_____	_____	_____
C. Long-Term Care Hospital	_____	_____	_____	_____	_____
D. Obstetrical	_____	_____	_____	_____	_____
E. ICU/CCU	_____	_____	_____	_____	_____
F. Neonatal	_____	_____	_____	_____	_____
G. Pediatric	_____	_____	_____	_____	_____
H. Adult Psychiatric	_____	_____	_____	_____	_____
I. Geriatric Psychiatric	_____	_____	_____	_____	_____
J. Child/Adolescent Psychiatric	_____	_____	_____	_____	_____
K. Rehabilitation	_____	_____	_____	_____	_____
L. Nursing Facility (non-Medicaid Certified)	_____	_____	_____	_____	_____
M. Nursing Facility Level 1 (Medicaid only)	_____	_____	_____	_____	_____
N. Nursing Facility Level 2 (Medicare only)	_____	_____	_____	_____	_____
O. Nursing Facility Level 2 (dually certified Medicaid/Medicare)	_____	_____	_____	_____	_____
P. ICF/MR	_____	_____	_____	_____	_____
Q. Adult Chemical Dependency	_____	_____	_____	_____	_____
R. Child and Adolescent Chemical Dependency	_____	_____	_____	_____	_____
S. Swing Beds	_____	_____	_____	_____	_____
T. Mental Health Residential Treatment	_____	_____	_____	_____	_____
U. Residential Hospice	_____	_____	_____	_____	_____
TOTAL	=====	=====	=====	=====	=====

*CON-Beds approved but not yet in service

10. **Medicare Provider Number
Certification Type**

To be applied for.

11. **Medicaid Provider Number
Certification Type**

To be applied for.

12. **If this is a new facility, will certification be sought for Medicare and/or Medicaid? Yes**

13. **Identify all TennCare Managed Care Organizations/Behavioral Health Organizations (MCOs/BHOs) operating in the proposed service area. Will this project involve the treatment of TennCare participants? Yes If the response to this item is yes, please identify all MCOs/BHOs with which the applicant has contracted or plans to contract. The applicant plans to contract with all area MCOs.**

Response: The three TennCare MCO's operating in the proposed service area are AmeriGroup, United Healthcare and TennCare Select. All current physicians associated with the project are contracted providers to each of these plans. Specialty Surgery Centers

of America, Inc., the management company for the project, contracts with all three TennCare MCO's at its other center in Columbia, and anticipates piggybacking this surgery centers onto its other contracts.

Discuss any out-of-network relationships in place with MCOs/BHOs in the area. NA

NOTE: Section B is intended to give the applicant an opportunity to describe the project and to discuss the need that the applicant sees for the project. Section C addresses how the project relates to the Certificate of Need criteria of Need, Economic Feasibility, and the Contribution to the Orderly Development of Health Care. Discussions on how the application relates to the criteria should not take place in this section unless otherwise specified.

SECTION B: PROJECT DESCRIPTION

Please answer all questions on 8 1/2" x 11" white paper, clearly typed and spaced, identified correctly and in the correct sequence. In answering, please type the question and the response. All exhibits and tables must be attached to the end of the application in correct sequence identifying the questions(s) to which they refer. If a particular question does not apply to your project, indicate "Not Applicable (NA)" after that question.

- I. Provide a brief executive summary of the project not to exceed two pages. Topics to be included in the executive summary are a brief description of proposed services and equipment, ownership structure, service area, need, existing resources, project cost, funding, financial feasibility and staffing.

Response: The need for this CON application for the relocation of a previously-approved CON for the establishment of a multi-specialty ambulatory surgical treatment center ("ASTC") in Wilson County is clear from the history of this project, as well as that of other ASTC CON projects in Wilson County. The need for the establishment of this multi-specialty ASTC in Wilson County, with three operating rooms and a procedure room is clear.

In 2007, University Medical Center, the hospital located in Lebanon, Tennessee, with the support of its medical staff, filed a Certificate of Need application to relocate and expand its very limited, existing one operating room, one procedure room ASTC with a three operating room, two procedure room ASTC on its campus to be joint ventured with its physicians. Construction was to have begun in March 2008, with the project being completed January 1, 2009. Sometime in between, UMC changed business plans, and tried to complete a joint venture of the entire hospital. Investors in the surgery center syndication had their checks returned. The CON for this joint ASTC, CN0702-011, expired on July 1, 2010.

After the involved physicians were refunded their money from the ASTC syndication, several of them started exploring the options for meeting the proven need for an establishment of a multi-specialty freestanding ASTC service area. A CON, CN0906-036, for an ASTC located near the Hartmann Drive and I-40 intersection was granted by the HSDA to the applicant, Lebanon Healthcare Partners, LLC, on April 28, 2010. This CON was then appealed by the local hospital, University Medical Center. The appeal was dismissed early in 2011. The applicant then attempted to carry out the project, but the

developers of the proposed building which was to house the project ran into financial difficulties. Faced with the history of these difficulties at the original CN0906-036 site, the applicant has simultaneously asked for a six-month extension of CN0906-036, and filed this CON application to relocate this ASTC and to establish this ASTC on Blair Lane in Lebanon. The applicant proposes to build the Surgery Center of Lebanon, a three operating room, one procedure room multi-specialty Medicare-certified ambulatory surgery treatment center. The surgery center will be a venture comprised of an LLC whose members are local physicians and Brentwood, Tennessee-based Specialty Surgery Centers of America, Inc.

The service area for this project includes Wilson, Macon, and Trousdale Counties, based on the patient origin for the physicians associated with the proposed ASTC. The population for this service has continued to grow since 2010. Specialties to initially be represented include orthopedics, pain management, ENT, general surgery and plastic surgery.

Currently, there are three single specialty surgery centers in the service area, including the Wilson Eye Surgery Center (ophthalmology), Lebanon Endoscopy Center (GI), and Provident Surgery Center (orthopedics and pain management). In the three-county service area for 2011, reporting operating rooms averaged 999 procedures per room or approximately 25% above the *Guidelines for Growth* capacity standard, according to the Joint Annual Reports filed for these providers.

The Surgery Center of Lebanon is planned to be a 9,300 square foot facility. It will include 12 pre-op and recovery beds, and will have three (3) operating rooms, and one (1) procedure room. Located in a single-story building, it will be easily accessible to ambulatory and wheelchair dependent patients. Its geographic location, on the east side of Blair Lane in Lebanon, Tennessee, approximately one-quarter mile south of the intersection of Blair Lane and U.S. Highway 70 in Lebanon, makes it easily accessible to the public. The total cost of the project is estimated to be approximately \$2,207,500. The ASTC is expected to be completed approximately fifteen months after receiving approval.

The project is projected to perform 2,405 procedures in its first year, and 3,650 in its second. The applicant anticipates staffing of six RNs, four scrub techs and three to four LPNs. The physicians involved with the project and their surgery center management company have adequate capital resources to accomplish this project.

In summary, this project will meet a market need for outpatient surgery services that is not being met by current providers. By establishing a multi-specialty, free-standing ASTC, this project will meet a need that the HSDA has repeatedly found to exist for such a provider in Wilson County. There are currently no viable free-standing surgery centers available without limitations to these physicians in the service area. The utilization of existing facilities providing outpatient surgery is significantly greater than the standard set forth in the *Guidelines for Growth*. The establishment of this much needed ASTC will contribute to the orderly development of healthcare in the service area by providing cost-effective services in the least restrictive setting. The project is financial feasible. Its costs compare favorably to other recently approved ASTCs and the applicant expects to have a positive cash flow in year one of operations.

- II. Provide a detailed narrative of the project by addressing the following items as they relate to the proposal.

- A. Describe the construction, modification and/or renovation of the facility (exclusive of major medical equipment covered by T.C.A. § 68-11-1601 et seq.) including square footage, major operational areas, room configuration, etc. Applicants with hospital projects (construction cost in excess of \$5 million) and other facility projects (construction cost in excess of \$2 million) should complete the Square Footage and Cost per Square Footage Chart. Utilizing the attached Chart, applicants with hospital projects should complete Parts A.-E. by identifying as applicable nursing units, ancillary areas, and support areas affected by this project. Provide the location of the unit/service within the existing facility along with current square footage, where, if any, the unit/service will relocate temporarily during construction and renovation, and then the location of the unit/service with proposed square footage. The total cost per square foot should provide a breakout between new construction and renovation cost per square foot. Other facility projects need only complete Parts B.-E. Please also discuss and justify the cost per square foot for this project.

If the project involves none of the above, describe the development of the proposal.

Response: Surgery Center of Lebanon is expected to be a 9,300 square foot state of the art multi specialty ambulatory surgery treatment center. It will be a new facility and result in the initiation of new services in the service area. It will have three Medicare certified operating rooms, one procedure room, and 12 pre and post-op beds. It will be a newly built, free standing surgery center located on an undeveloped property located at an unaddressed site located on the east side of Blair Lane, Lebanon, Wilson County, Tennessee. Some of the partners in Lebanon Healthcare Partners will develop and own the property (1.6 acres) and develop the facility (approximately 9300 sf) by investing in a related company, SSCA Real Estate Investors of Lebanon LLC. The Surgery Center will lease the space from the SSCA Real Estate Investors on a five year lease with four options to extend the lease another 5 years. All of the construction costs for the facility will be the responsibility of the landlord.

- B. Identify the number and type of beds increased, decreased, converted, relocated, designated, and/or redistributed by this application. Describe the reasons for change in bed allocations and describe the impact the bed change will have on the existing services.

Response: Lebanon Healthcare Partners has already received a Certificate of Need (CN0906-036) to develop a 3 OR, 1 Procedure Room ASTC at another site. It seeks to relocate the establishment of this ASTC to the site proposed herein. The need for the establishment of such a free-standing, multi-specialty ASTC in Wilson County is clear. This CON project will accomplish the establishment of this long-needed ASTC.

C. As the applicant, describe your need to provide the following health care services (if applicable to this application):

1. Adult Psychiatric Services
2. Alcohol and Drug Treatment for Adolescents (exceeding 28 days)
3. Birthing Center
4. Burn Units
5. Cardiac Catheterization Services
6. Child and Adolescent Psychiatric Services
7. Extracorporeal Lithotripsy
8. Home Health Services
9. Hospice Services
10. Residential Hospice
11. ICF/MR Services
12. Long-term Care Services
13. Magnetic Resonance Imaging (MRI)
14. Mental Health Residential Treatment
15. Neonatal Intensive Care Unit
16. Non-Residential Methadone Treatment Centers
17. Open Heart Surgery
18. Positron Emission Tomography
19. Radiation Therapy/Linear Accelerator
20. Rehabilitation Services
21. Swing Beds

Response: Not applicable.

D. Describe the need to change location or replace an existing facility.

Response: This project does not involve the relocation of an existing facility; rather, it involves the relocation of a previously-approved project for the establishment of a multi-specialty ASTC in Wilson County. The original business plan for Lebanon Healthcare Partners called for the ASTC to be located inside a to-be-built medical office building near the intersection of I-40 and South Hartman Drive. The property was to be built by a third-party developer, who had acquired the property in 2007. Due to a change in the economy and a devaluation of the property, the developers were not able to complete the project, necessitating the need for the applicant to seek to relocate the site for the establishment of this ASTC.

E. Describe the acquisition of any item of major medical equipment (as defined by the Agency Rules and the Statute) which exceeds a cost of \$1.5 million; and/or is a magnetic resonance imaging (MRI) scanner, positron emission tomography (PET) scanner, extracorporeal lithotripter and/or linear accelerator by responding to the following:

1. For fixed-site major medical equipment (not replacing existing equipment):
 - a. Describe the new equipment, including:
 1. Total cost; (As defined by Agency Rule).
 2. Expected useful life;

3. List of clinical applications to be provided; and
4. Documentation of FDA approval.

b. Provide current and proposed schedules of operations.

Response: Not applicable.

2. For mobile major medical equipment:

- a. List all sites that will be served;
- b. Provide current and/or proposed schedule of operations;
- c. Provide the lease or contract cost.
- d. Provide the fair market value of the equipment; and
- e. List the owner for the equipment.

Response: Not applicable.

3. Indicate applicant's legal interest in equipment (i.e., purchase, lease, etc.) In the case of equipment purchase include a quote and/or proposal from an equipment vendor, or in the case of an equipment lease provide a draft lease or contract that at least includes the term of the lease and the anticipated lease payments.

Response: Not applicable.

III. (A) Attach a copy of the plot plan of the site on an 8 1/2" x 11" sheet of white paper which must include:

1. Size of site (*in acres*);
2. Location of structure on the site; and
3. Location of the proposed construction.
4. Names of streets, roads or highway that cross or border the site.

Please note that the drawings do not need to be drawn to scale. Plot plans are required for all projects.

Response: Please see attached copy of the plot plan included as Attachment B.III(A). The size of the site is approximately 1.6 acres.

(B) 1. Describe the relationship of the site to public transportation routes, if any, and to any highway or major road developments in the area. Describe the accessibility of the proposed site to patients/clients.

Response: The site is located on the east side of Blair Lane, approximately one-quarter mile south of the intersection of Blair Lane and U.S. Highway 70 in Lebanon.

IV. Attach a floor plan drawing for the facility which includes legible labeling of patient care rooms (noting private or semi-private), ancillary areas, equipment areas, etc. on an 8 1/2" x 11" sheet of white paper.

NOTE: **DO NOT SUBMIT BLUEPRINTS.** Simple line drawings should be submitted and need not be drawn to scale.

Response: Please see attached floor plan included as Attachment B.IV.

V. For a Home Health Agency or Hospice, identify:

1. Existing service area by County;

Response: Not applicable.

2. Proposed service area by County;

Response: Not applicable.

3. A parent or primary service provider;

Response: Not applicable.

4. Existing branches; and

Response: Not applicable.

5. Proposed branches.

Response: Not applicable.

SECTION C: GENERAL CRITERIA FOR CERTIFICATE OF NEED

In accordance with Tennessee Code Annotated § 68-11-1609(b), "no Certificate of Need shall be granted unless the action proposed in the application for such Certificate is necessary to provide needed health care in the area to be served, can be economically accomplished and maintained, and will contribute to the orderly development of health care." The three (3) criteria are further defined in Agency Rule 0720-4-.01. Further standards for guidance are provided in the state health plan (Guidelines for Growth), developed pursuant to Tennessee Code Annotated §68-11-1625.

The following questions are listed according to the three (3) criteria: (I) Need, (II) Economic Feasibility, and (III) Contribution to the Orderly Development of Health Care. Please respond to each question and provide underlying assumptions, data sources, and methodologies when appropriate. *Please type each question and its response on an 8 1/2" x 11" white paper.* All exhibits and tables must be attached to the end of the application in correct sequence identifying the question(s) to which they refer. If a question does not apply to your project, indicate "Not Applicable (NA)."

QUESTIONS **NEED**

1. Describe the relationship of this proposal toward the implementation of the State Health Plan and Tennessee's Health: Guidelines for Growth.
 - a. Please provide a response to each criterion and standard in Certificate of Need Categories that are applicable to the proposed project. Do not provide responses to General Criteria and Standards (pages 6-9) here.

Response: Please see the criteria and responses for ambulatory service treatment centers included below:

AMBULATORY SURGICAL TREATMENT CENTERS

1. The need for an ambulatory surgical treatment center shall be based upon the following assumptions:

- a. An operating room is available 250 days per year, 8 hours per day.

Response: Surgery Center of Lebanon will have three (3) operating rooms and one (1) procedure room available from 7:30 AM to 3:30 PM, Monday-Friday (except major holidays), 52 weeks per year.

- b. The average time per outpatient surgery case is 60 minutes.

Response: The average time per case is projected to be sixty (60) minutes or less.

- c. The average time for clean up and preparation between outpatient surgery cases is 30 minutes.

Response: The average time for clean up and preparation between cases is expected to be thirty (30) minutes or less.

- d. The capacity of a dedicated, outpatient, general-purpose operating room is 80% of full capacity. That equates to 800 cases per year.

Response: The applicant anticipates performing 601 cases per room the first year, increasing to over 900 cases per room the second year.

- e. Unstaffed operating rooms are considered available for ambulatory surgery and are to be included in the inventory and in the measure of capacity.

Response: All operating rooms are considered available and included in the inventory.

2. "Service Area" shall mean the county or counties represented by the applicant as the reasonable area to which the facility intends to provide services and/or in which the majority of its service recipients reside.

Response: The service area of this project is Wilson, Trousdale, and Macon counties. These counties represent greater than 75% of the origin of the project's patients.

3. The majority of the population of a service area for an ambulatory surgical treatment center should reside within 30 minutes travel time to the facility.

Response: The majority of the population in this service area will reside within 30 minutes travel time to the facility. Our location near U.S. Highway 70 in Lebanon will make access for the population in the service area easy.

4. All applicants should demonstrate the ability to perform a minimum of 800 operations and/or procedures per year per operating room and/or procedure room. This assumes 250 days x 4 surgeries/procedures x .80.

Response: Surgery Center of Lebanon is expected to perform 385 procedures per room in year 1 and 600 procedures per room in year 2.

5. A certificate of need (CON) proposal to establish a new ambulatory surgical treatment center or to expand the existing services of an ambulatory surgical treatment center shall not be approved unless the existing ambulatory surgical services within the applicant's service area or within the applicant's facility are demonstrated to be currently utilized at 80% of service capacity. Notwithstanding the 80% need standard, the Health Facilities Commission may consider proposals for additional facilities or expanded services within an existing facility under the following conditions: proposals for facilities offering limited-specialty type programs or proposals for facilities where accessibility to surgical services is limited.

Response: The facilities in the service area report performing 999 cases per room on average in 2011, or 125% of the service capacity specified by the current state health plan.

6. A CON proposal to establish an ambulatory surgical treatment center or to extend existing services of an ambulatory surgical treatment must specify the number of projected surgical operating rooms to be designated for ambulatory surgical services.

Response: Surgery Center of Lebanon will have three operating rooms and one procedure room.

7. A CON proposal to establish an ambulatory surgical treatment center or to expand existing services of an ambulatory surgical treatment center must project patient utilization for each of the first eight quarters following the completion of the proposed project. All assumptions, including the specific methodology by which utilization is projected, must be clearly stated.

Response: Projected utilization for the first eight quarters are:

Q 1	410
Q 2	540
Q 3	670
Q 4	785
Q 5	850
Q 6	900
Q 7	950

Q 8 950

- b. Applications that include a Change of Site for a health care institution, provide a response to General Criterion and Standards (4)(a-c)

Response: The application does not involve the change of site for an existing healthcare institution.

2. Describe the relationship of this project to the applicant facility's long-range development plans, if any.

Response: The applicant was formed for the purpose of establishing an ambulatory surgery treatment center.

3. Identify the proposed service area and justify the reasonableness of that proposed area. Submit a county level map including the State of Tennessee clearly marked to reflect the service area. **Please submit the map on 8 1/2" x 11" sheet of white paper marked only with ink detectable by a standard photocopier (i.e., no highlighters, pencils, etc.).**

Response: Please see a map of the service area included as Attachment C-Need-3. As indicated on the map, the primary service area for this project is Wilson County, Trousdale County, and Macon County. This service area is based on the service areas of the physicians involved in the project. Approximately 54 percent of their patients are from Wilson County, 14% from Macon, and 10 from Trousdale County.

4. A. Describe the demographics of the population to be served by this proposal.

Response: Please see chart below.

Population Projections, 2009-2020

	2010	2011	2012	2013	2014	2020	Growth 2009- 2010	Growth 2010- 2020
State	6,264,654	6,311,234	6,361,070	6,414,297	10,471,546	6,785,100	1.0%	8%
Service Area								
Wilson	111,199	112,787	114,437	116,150	127,396	127,396	1.7%	15%
Trousdale	8,154	8,215	8,287	8,359	8,443	8,942	1.2%	11%
Macon	22,746	22,974	23,208	23,452	23,706	25,112	1.2%	10%
Total	142,099	143,976	145,932	147,961	159,545	161,450	1.7%	15.5%

Source: Tennessee Population Projections 2000-2020, Tennessee Department of Health, Division of Health Statistics

- B. Describe the special needs of the service area population, including health disparities, the accessibility to consumers, particularly the elderly, women, racial and ethnic minorities, and low-income groups. Document how the business plans of the facility will take into consideration the special needs of the service area population.

Response: There are multiple population segments with special needs in the service area, including a high percentage of TennCare enrollees, a high percentage of non-ambulatory or semi-ambulatory patients, and many dependant on public transportation. To accommodate these patients, the Surgery Center of Lebanon will piggyback its management company's contacts with AmeriGroup, United Healthcare, and TennCare Select, providing access to the center for these patients and their physician providers; will build a one floor building; and build the facility near the intersection of U.S. Highway 70 (West Main Street) and Blair Road.

5. Describe the existing or certified services, including approved but unimplemented CONs, of similar institutions in the service area. Include utilization and/or occupancy trends for each of the most recent three years of data available for this type of project. Be certain to list each institution and its utilization and/or occupancy individually. Inpatient bed projects must include the following data: admissions or discharges, patient days, and occupancy. Other projects should use the most appropriate measures, e.g., cases, procedures, visits, admissions, etc.

Response: The existing certified services in the area include three single specialty surgery centers (one ophthalmology, one orthopaedic/pain management, and one GI), an outdated, dilapidated, seldom used hospital owned (one OR and one procedure room) surgery center, a hospital HOPD, and two hospitals providing outpatient surgery services.

One of the hospitals, Macon County General Hospital has one operating room that does both inpatient and outpatient surgery. There are no multi-specialty stand alone surgery centers in the service area that have properly sized operating rooms and facilities.

Please see the chart below which shows reported utilization of these existing facilities in the primary and secondary service areas, according to the filed JARs of these facilities.

Reported Outpatient Surgery Utilization

<u>County</u>	<u>Facility</u>	<u>OR/PR</u>	<u>2009 Proc.</u>	<u>2010 Proc.</u>	<u>2011 Proc.</u>	<u>Procedures per room in 2011</u>
Wilson	Lebanon Endoscopy Center ¹	2	2827	3302	2767	1383.5
Wilson	Wilson County Eye Surgery Center ²	2	3396	5428	1873	936.5
Wilson	Lebanon Surgical Center ³	2	501	199	97	47.5
Wilson	University Medical Center	4	5287	5646	5518	1379.5
Macon	Macon County General Hospital	1	253	352	733	733
Trousdale	Trousdale Medical Center ⁴	0	167	22	0	0
	Total	11	12431	14949	10988	999

Source: Tennessee Department of Health, Office of Health Statistics, Joint Annual Reports.

¹Limited to endoscopy. Lebanon Endoscopy licensed 4/23/09.

²Limited to ophthalmology.

³Affiliated with University Medical Center.

⁴Formerly utilized a single room as both an operating room and a procedure room, until 2011.

Source: 2011 JAR

In 2007, CON #0702-016 was approved for University Medical Center to build an ASTC with three ORs and two procedure rooms for \$8.6 million. This CON expired on July 1, 2010, according to HSDA records. Originally, this was described as a multi specialty surgery center to be joint ventured with local physicians. Early in 2009, these plans were scrapped, and the hospital instead attempted to joint venture the entire hospital with its medical staff. When this did not fully develop, the hospital filed a request for an extension of the original project with the HSDA. However, this CON expired, as noted above, in July 2010. UMC then decommissioned four operating rooms in the hospital and relocated them to a new hospital outpatient department constructed in the hospital parking lot. This project did not change the capacity of outpatient operating rooms in the service area.

6. Provide applicable utilization and/or occupancy statistics for your institution for each of the past three (3) years and the projected annual utilization for each of the two (2) years following completion of the project. Additionally, provide the details regarding the methodology used to project utilization. The methodology **must include** detailed calculations or documentation from referral sources, and identification of all assumptions.

Response: This project will be a new facility. Thus, it has no historical utilization. The applicant projects that it will experience 2,405 procedures in year 1 of operations, and 3,650 procedures in year 2 of operations.

ECONOMIC FEASIBILITY

1. Provide the cost of the project by completing the Project Costs Chart on the following page. Justify the cost of the project.
 - All projects should have a project cost of at least \$3,000 on Line F. (Minimum CON Filing Fee). CON filing fee should be calculated from Line D. (See Application Instructions for Filing Fee)
 - The cost of any lease should be based on fair market value or the total amount of the lease payments over the initial term of the lease, whichever is greater.
 - The cost for fixed and moveable equipment includes, but is not necessarily limited to, maintenance agreements covering the expected useful life of the equipment; federal, state, and local taxes and other government assessments; and installation charges, excluding capital expenditures for physical plant renovation or in-wall shielding, which should be included under construction costs or incorporated in a facility lease.
 - For projects that include new construction, modification, and/or renovation; **documentation must be** provided from a contractor and/or architect that support the estimated construction costs.

Response: Please see the project costs chart on the following page. A letter from Steve Powell, Principal, Powell Design Studio that supports the estimated construction costs is included as Attachment G Economic Feasibility-1.

PROJECT COSTS CHART

2013 FEB 14 PM 2 53

A. Construction and equipment acquired by purchase:		
1.	Architectural and Engineering Fees	\$75,000
2.	Legal, Administrative (Excluding CON Filing Fee), Consultant Fees	\$25,000
3.	Acquisition of Site	
4.	Preparation of Site	
5.	Construction Costs	
6.	Contingency Fund	
7.	Fixed Equipment (Not included in Construction Contract)	
8.	Moveable Equipment (List all equipment over \$50,000)	\$1,125,000
9.	Other (Specify) _____	
B. Acquisition by gift, donation, or lease:		
1.	Facility (inclusive of building and land)	930,000
2.	Building only	
3.	Land only	
4.	Equipment (Specify)	
5.	Other (Specify) _____	
C. Financing Costs and Fees:		
1.	Interim Financing	
2.	Underwriting Costs	
3.	Reserve for One Year's Debt Service	52,500
4.	Other (Specify) _____	
D.	Estimated Project Cost (A+B+C)	2,207,500
E.	CON Filing Fee	4,967
F.	Total Estimated Project Cost (D+E)	
	TOTAL	\$2,212,467

2. Identify the funding sources for this project.

- a. Please check the applicable item(s) below and briefly summarize how the project will be financed. (Documentation for the type of funding MUST be inserted at the end of the application, in the correct alpha/numeric order and identified as Attachment C, Economic Feasibility-2.)

- X A. Commercial loan--Letter from lending institution or guarantor stating favorable initial contact, proposed loan amount, expected interest rates, anticipated term of the loan, and any restrictions or conditions;
- B. Tax-exempt bonds--Copy of preliminary resolution or a letter from the issuing authority stating favorable initial contact and a conditional agreement from an underwriter or investment banker to proceed with the issuance;
- C. General obligation bonds--Copy of resolution from issuing authority or minutes from the appropriate meeting.
- D. Grants--Notification of intent form for grant application or notice of grant award; or
- E. Cash Reserves--Appropriate documentation from Chief Financial Officer.
- F. Other—Identify and document funding from all other sources.

3. Discuss and document the reasonableness of the proposed project costs. If applicable, compare the cost per square foot of construction to similar projects recently approved by the Health Services and Development Agency.

Response: Although this ASTC will be leased, the projected construction costs for its builder (\$220 per square foot) compare favorably with the costs of other recently approved ASTC CONs, as set forth below.

COMPARABLE ASTC CONSTRUCTION COSTS

Facility	CON Number	Cost Per Square Foot
Plateau Surgery Center	CN0804-025	\$160
Mid-State Endoscopy Center	CN0901-004	\$175
Specialty Care	CN0810-077	\$200
McCabe Eye Surgery Center	CN0807-042	\$250

4. Complete Historical and Projected Data Charts on the following two pages--**Do not modify the Charts provided or submit Chart substitutions!** Historical Data Chart represents revenue and expense information for the last three (3) years for which complete data is available for the institution. Projected Data Chart requests information for the two (2) years following the completion of this proposal. Projected Data Chart should reflect revenue and expense projections for the **Proposal Only** (i.e., if the application is for additional beds, include anticipated revenue from the proposed beds only, not from all beds in the facility).

Response: The applicant seeks to establish a new ASTC. Thus, it has no historical utilization data. Its projected data for the first two years of operation are set forth in the attached Projected Data Chart.

5. Please identify the project's average gross charge, average deduction from operating revenue, and average net charge.

Response: The average net revenue per patient for each specialty was obtained from the company's other institutions as follows:

*Orthopaedics	\$1,500
*ENT	\$1300
*Pain	\$450
*GYN	\$940
*General Surgery	\$1100

HISTORICAL DATA CHART

Give information for the last three (3) years for which complete data are available for the facility or agency. The fiscal year begins in _____ (Month) _____, _____.

2013 FEB 14 PM 2:53 Not Applicable.

	Year _____	Year _____	Year _____
A. Utilization Data (Specify unit of measure)	_____	_____	_____
B. Revenue from Services to Patients			
1. Inpatient Services	\$ _____	\$ _____	\$ _____
2. Outpatient Services	_____	_____	_____
3. Emergency Services	_____	_____	_____
4. Other Operating Revenue	_____	_____	_____
(Specify) _____			
Gross Operating Revenue	\$ _____	\$ _____	\$ _____
C. Deductions for Operating Revenue			
1. Contractual Adjustments	\$ _____	\$ _____	\$ _____
2. Provision for Charity Care	_____	_____	_____
3. Provisions for Bad Debt	_____	_____	_____
Total Deductions	\$ _____	\$ _____	\$ _____
NET OPERATING REVENUE	\$ _____	\$ _____	\$ _____
D. Operating Expenses			
1. Salaries and Wages	\$ _____	\$ _____	\$ _____
2. Physician's Salaries and Wages	_____	_____	_____
3. Supplies	_____	_____	_____
4. Taxes	_____	_____	_____
5. Depreciation	_____	_____	_____
6. Rent	_____	_____	_____
7. Interest, other than Capital	_____	_____	_____
8. Other Expenses (Specify) _____	_____	_____	_____
Total Operating Expenses	\$ _____	\$ _____	\$ _____
E. Other Revenue (Expenses) – Net (Specify)	\$ _____	\$ _____	\$ _____
NET OPERATING INCOME (LOSS)			
F. Capital Expenditures			
1. Retirement of Principal	\$ _____	\$ _____	\$ _____
2. Interest	_____	_____	_____
Total Capital Expenditures	\$ _____	\$ _____	\$ _____
NET OPERATING INCOME (LOSS)			
LESS CAPITAL EXPENDITURES	\$ _____	\$ _____	\$ _____

February 27, 2013

4:19pm

PROJECTED DATA CHART

Give information for the two (2) years following the completion of this proposal. The fiscal year begins in January (Month).

	Year 1	Year 2
A. Utilization Data (Specify unit of measure) cases	<u>2,405</u>	<u>3,650</u>
B. Revenue from Services to Patients		
1. Inpatient Services	\$ <u> </u>	\$ <u> </u>
2. Outpatient Services	<u>4,388,391</u>	<u>6,124,673</u>
3. Emergency Services	<u> </u>	<u> </u>
4. Other Operating Revenue (Specify) <u> </u>	<u> </u>	<u> </u>
Gross Operating Revenue	<u>\$4,388,391</u>	<u>\$6,124,673</u>
C. Deductions from Gross Operating Revenue		
1. Contractual Adjustments	<u>\$1,294,575</u>	<u>\$1,806,778</u>
2. Provision for Charity Care	<u>88,000</u>	<u>122,500</u>
3. Provisions for Bad Debt	<u>100,000</u>	<u>125,000</u>
Total Deductions	<u>\$1,482,575</u>	<u>\$2,054,278</u>
NET OPERATING REVENUE	<u>\$2,905,816</u>	<u>\$4,070,395</u>
D. Operating Expenses		
1. Salaries and Wages	<u>812,890</u>	<u>1,233,700</u>
2. Physician's Salaries and Wages	<u> </u>	<u> </u>
3. Supplies	<u>670,000</u>	<u>1,100,000</u>
4. Taxes	<u> </u>	<u> </u>
5. Depreciation	<u>160,715</u>	<u>160,715</u>
6. Rent	<u>186,000</u>	<u>186,000</u>
7. Interest, other than Capital	<u> </u>	<u> </u>
8. Management Fees:		
a. Fees to Affiliates	<u>174,350</u>	<u>244,224</u>
b. Fees to Non-Affiliates	<u> </u>	<u> </u>
9. Other Expenses (Specify) <u>Laundry, utilities, insurance, maintenance</u>	<u>428,000</u>	<u>430,000</u>
Total Operating Expenses	<u>\$2,431,955</u>	<u>\$3,354,639</u>
E. Other Revenue (Expenses) -- Net (Specify)	\$ <u> </u>	\$ <u> </u>
NET OPERATING INCOME (LOSS)	<u>\$473,861</u>	<u>\$715,756</u>
F. Capital Expenditures		
1. Retirement of Principal	<u>\$69,222</u>	<u>\$142,814</u>
2. Interest	<u>94,205</u>	<u>45,211</u>
Total Capital Expenditures	<u>\$163,247</u>	<u>\$188,025</u>
NET OPERATING INCOME (LOSS)		
LESS CAPITAL EXPENDITURES	<u>\$310,614</u>	<u>\$527,731</u>

6. A. Please provide the current and proposed charge schedules for the proposal. Discuss any adjustment to current charges that will result from the implementation of the proposal. Additionally, describe the anticipated revenue from the proposed project and the impact on existing patient charges.

Response: Projected charges for the anticipated top five procedures are as follows:

*Knee arthroscopy:	\$3515
*Ear Tubes	\$4560
Tonsil	\$2796
*Shoulder arthroscopy	\$3515
*Lap Tubal	\$3895

- B. Compare the proposed charges to those of similar facilities in the service area/adjoining service areas, or to proposed charges of projects recently approved by the Health Services and Development Agency. If applicable, compare the proposed charges of the project to the current Medicare allowable fee schedule by common procedure terminology (CPT) code(s).

Response: The introduction of a multi specialty ambulatory surgery center to the community will result in significant savings to all payers and all patients. The introduction of these services to the service area will have a positive impact on reducing the cost of healthcare. Currently Medicare reimbursement for procedures performed at free-standing ASTCs is more than 40% lower than reimbursement for the same procedures in hospitals.

7. Discuss how projected utilization rates will be sufficient to maintain cost-effectiveness.

Response: Unlike other projects, this is a project that was designed from the ground up. With flexible staffing and overhead, the project should achieve a positive cash flow in the first year of operations.

8. Discuss how financial viability will be ensured within two years; and demonstrate the availability of sufficient cash flow until financial viability is achieved.

Response: Lebanon Healthcare Partners, LLC will raise some \$250,000 in equity for initial start up and capitalization to reach break even. Although additional capital calls are not anticipated, a capital call on LLC members could be used on a worst case basis to continue to fund losses. It will also have access to a revolving credit line, and a term loan on its equipment.

9. Discuss the project's participation in state and federal revenue programs including a description of the extent to which Medicare, TennCare/Medicaid, and medically indigent patients will be served by the project. In addition, report the estimated dollar amount of revenue and percentage of total project revenue anticipated from each of TennCare, Medicare, or other state and federal sources for the proposal's first year of operation.

Response: Surgery Center of Lebanon anticipates participating in Medicare and TennCare. All physicians in the project are TennCare providers, and all of Specialty Surgery Centers of America (the management company) surgery centers have contracted with all three TennCare MCOs.

Medicare utilization is expected to be 35% of all patient visits, is expected to produce 19% of total actual revenue in the first year, or approximately \$552,105. TennCare utilization is expected to be 15% of all patient visits, is expected to produce 10.1% of actual revenues, or approximately \$293,500.

10. Provide copies of the balance sheet and income statement from the most recent reporting period of the institution and the most recent audited financial statements with accompanying notes, if applicable. For new projects, provide financial information for the corporation, partnership, or principal parties involved with the project. Copies must be inserted at the end of the application, in the correct alpha-numeric order and labeled as Attachment C, Economic Feasibility-10.

Response: This is a relatively new LLC with limited prior operations and no operating income to date.

11. Describe all alternatives to this project which were considered and discuss the advantages and disadvantages of each alternative including but not limited to:
 - a. A discussion regarding the availability of less costly, more effective, and/or more efficient alternative methods of providing the benefits intended by the proposal. If development of such alternatives is not practicable, the applicant should justify why not; including reasons as to why they were rejected.

Response: Establishing a new, state of the art, multi specialty surgery center is the most cost effective method of providing services to patients in this service area. The CON previously approved withstood an appeal and a recession. Other than not completing the project, no alternatives to relocation are economically available. The possibility of acquiring an existing single-specialty center and converting it, via CON, to multi-specialty status was considered, but the costs were prohibitive and a CON would still be required.

- b. The applicant should document that consideration has been given to alternatives to new construction, e.g., modernization or sharing arrangements. It should be documented that superior alternatives have been implemented to the maximum extent practicable.

Response: There are no other multi specialty surgery centers in the service area that have adequate facilities. The cost of this relocation project compares favorably to the cost of this project as originally approved.

(III.) CONTRIBUTION TO THE ORDERLY DEVELOPMENT OF HEALTH CARE

1. List all existing health care providers (e.g., hospitals, nursing homes, home care organizations, etc.), managed care organizations, alliances, and/or networks with which the applicant currently has or plans to have contractual and/or working relationships, e.g., transfer agreements, contractual agreements for health services.

Response: All of the physicians involved in this project are on staff at University Medical Center, and would seek to have a transfer agreement with the hospital, as well as working arrangements for laboratory, sharing of equipment, etc.

Surgery Center of Lebanon anticipates providing in the following managed care contracts that its management company has at other centers. This includes

Medicare

BlueCross

AmeriGroup

United Healthcare

TennCare Select

Aetna

Cigna

Humana

Private Healthcare Systems

Tri-Care

Etc.

2. Describe the positive and/or negative effects of the proposal on the health care system. Please be sure to discuss any instances of duplication or competition arising from your proposal including a description of the effect the proposal will have on the utilization rates of existing providers in the service area of the project.

Response: The Surgery Center of Lebanon will have a positive impact on the medical community for multiple reasons. First, there is currently a need for 3-5 additional operating rooms in the service area. This was initially evidence by the approval by the HSDA of University Medical Center's CON in July, 2007 as well as the prior CON for this project at its original site. Since then, only a small orthopedic only center has been developed, while population in the service area has continued to grow.

Secondly, there is a need for a free standing multi specialty surgery center that will provide needed cost competition to the market. Surgery Center of Lebanon will charge significantly less than local hospitals for the same procedures, and will be reimbursed significantly less, achieving significant savings for government payors, insurers, and patients.

Finally, this project will bring surgical services into a more accessible environment for all patients. Additional capacity will allow better scheduling of patients. Moreover, the location of this facility near Highway 70 in Lebanon will provide improved transportation access for outpatient surgery patients.

3. Provide the current and/or anticipated staffing pattern for all employees providing patient care for the project. This can be reported using FTEs for these positions. Additionally, please compare the clinical staff salaries in the proposal to prevailing wage patterns in the service area as published by the Tennessee Department of Labor & Workforce Development and/or other documented sources.

Response: Surgery Center of Lebanon anticipates staffing the center initially with 6 registered nurses, 4 scrub techs, and 3-4 LPNs. Total FTEs are expected to be 18. Base rates for Registered Nurses is expected to be \$28-\$33 per hour. According to the website of the Tennessee Department of Labor and Workforce Development in the Metro Nashville MSA, which includes this service area, the RN median wage was \$28.90 per hour in 2012. The TDOLWFD website reports 2012 median wages for "Healthcare Support Workers, All Other" as \$14.60 per hour.

4. Discuss the availability of and accessibility to human resources required by the proposal, including adequate professional staff, as per the Department of Health, the Department of Mental Health and Developmental Disabilities, and/or the Division of Mental Retardation Services licensing requirements.

Response: The applicant does not anticipate any difficulty in finding adequate staffing for the facility.

5. Verify that the applicant has reviewed and understands all licensing certification as required by the State of Tennessee for medical/clinical staff. These include, without limitation, regulations concerning physician supervision, credentialing, admission privileges, quality assurance policies and programs, utilization review *policies and programs, record keeping, and staff education.*

Response: The Applicant has reviewed and understands all certifications as required by the State of Tennessee for medical/clinical staff.

6. Discuss your health care institution's participation in the training of students in the areas of medicine, nursing, social work, etc. (e.g., internships, residencies, etc.).

Response: The Center's Management Company has participated in training of scrub techs and nursing students in the past, and anticipates doing so in the future..

7. (a) Please verify, as applicable, that the applicant has reviewed and understands the licensure requirements of the Department of Health, the Department of Mental Health and Developmental Disabilities, the Division of Mental Retardation Services, and/or any applicable Medicare requirements.

Response: The applicant has reviewed and understands the licensure requirements of the Department of Health and any applicable Medicare requirements.

- (b) Provide the name of the entity from which the applicant has received or will receive licensure, certification, and/or accreditation.

Licensure:

February 27, 2013

4:19pm

Response: The Tennessee Department of Health, Division of Licensing and Certification would issue our license. The applicant will seek early accreditation with the Accreditation Association for Ambulatory Healthcare (AAAHC).

If an existing institution, please describe the current standing with any licensing, certifying, or accrediting agency. Provide a copy of the current license of the facility.

Response: Not applicable.

- (c) For existing licensed providers, document that all deficiencies (if any) cited in the last licensure certification and inspection have been addressed through an approved plan of correction. Please include a copy of the most recent licensure/certification inspection with an approved plan of correction.

Response: Not applicable.

9. Document and explain any final orders or judgments entered in any state or country by a licensing agency or court against professional licenses held by the applicant or any entities or persons with more than a 5% ownership interest in the applicant. Such information is to be provided for licenses regardless of whether such license is currently held.

Response: Specialty Surgery Centers of America, Inc. and its affiliated entities have not had any of the negative actions described in questions 9 and 10 taken against them. The same is true of all other investors in the Lebanon Surgery Center. The other investors will all be physicians with hospital privileges. The screening mechanism for physician ownership in the Lebanon Surgery Center will further supplement the effect of hospital credentialing.

10. Identify and explain any final civil or criminal judgments for fraud or theft against any person or entity with more than a 5% ownership interest in the project

Response: Specialty Surgery Centers of America, Inc. and its affiliated entities have not had any of the negative actions described in questions 9 and 10 taken against them. The same is true of all other investors in the Lebanon Surgery Center. The other investors will all be physicians with hospital privileges. The screening mechanism for physician ownership in the Lebanon Surgery Center will further supplement the effect of hospital credentialing.

11. If the proposal is approved, please discuss whether the applicant will provide the Tennessee Health Services and Development Agency and/or the reviewing agency information concerning the number of patients treated, the number and type of procedures performed, and other data as required.

Response: The applicant will provide the information as required.

PROOF OF PUBLICATION

Attach the full page of the newspaper in which the notice of intent appeared with the mast and dateline intact or submit a publication affidavit from the newspaper as proof of the publication of the letter of intent.

Response: Please see attached [affidavit of] publication showing that publication occurred in The Lebanon.

DEVELOPMENT SCHEDULE

Tennessee Code Annotated § 68-11-1609(c) provides that a Certificate of Need is valid for a period not to exceed three (3) years (for hospital projects) or two (2) years (for all other projects) from the date of its issuance and after such time shall expire; provided, that the Agency may, in granting the Certificate of Need, allow longer periods of validity for Certificates of Need for good cause shown. Subsequent to granting the Certificate of Need, the Agency may extend a Certificate of Need for a period upon application and good cause shown, accompanied by a non-refundable reasonable filing fee, as prescribed by rule. A Certificate of Need which has been extended shall expire at the end of the extended time period. The decision whether to grant such an extension is within the sole discretion of the Agency, and is not subject to review, reconsideration, or appeal.

1. Please complete the Project Completion Forecast Chart on the next page. If the project will be completed in multiple phases, please identify the anticipated completion date for each phase.
2. If the response to the preceding question *indicates that the applicant does not anticipate completing the project within the period of validity as defined in the preceding paragraph*, please state below any request for an extended schedule and document the "good cause" for such an extension.

Response: The applicant does not anticipate requesting an extension of time at this time.

Form HF0004
Revised 05/03/04
Previous Forms are obsolete

Cost of Publication

\$ 200.00

Proof of Publication

NOTIFICATION OF INTENT TO APPLY FOR A CERTIFICATE OF NEED

This is to provide official notice to the Health Services and Development Agency and all interested parties, in accordance with T.C.A. § 58-11-1601 et seq., and the Rules of the Health Services and Development Agency, that Surgery Center of Lebanon, N/A owned by Lebanon Healthcare Partners, LLC with an ownership type of limited liability company and to be managed by Specialty Surgery Centers of America, Inc., intends to file an application for a Certificate of Need for:

The relocation of an approved but unimplemented certificate of need for a multi-specialty surgery center. The proposed facility previously approved under CON CND006-036 will be relocated from its original approved site at 101 Physicians Way, Lebanon (Wilson County), TN 37087 to a new unaddressed site located on the east side of Blair Lane in Lebanon, Wilson County, Tennessee 37087. The new, unaddressed site is approximately one-quarter mile south of the intersection of Blair Lane and U.S. Highway 70 in Lebanon, and approximately 200 yards south of the intersection of Blair Lane and Monument Lane in Lebanon. As with the originally approved CON application, this ASTC will include three operating rooms and one procedure room, as well as requisite clinical and support space, including 12 pre-operation and post-operation bed spaces. The projected square footage for this project is approximately 9,300 square feet. The estimated project costs are approximately \$2,300,000. The anticipated date of filing the application is: February 14, 2013.

The contact person for this project is: Keith Bolton, CEO who may be reached at: Specialty Surgery Centers of America, Inc., 9206 Concord Road, Brentwood, TN 37027, 931-801-2558.

Upon written request by interested parties, a local Fact-Finding public hearing shall be conducted. Written requests for hearing should be sent to:

Health Services and Development Agency

The Frost Building, Third Floor

161 Rosa L. Parks Boulevard

Nashville, Tennessee 37243

The published Letter of Intent must contain the following statement pursuant to T.C.A. § 58-11-1607(c)(1): (A) Any health care institution wishing to oppose a Certificate of Need application must file a written notice with the Health Services and Development Agency no later than fifteen (15) days before the regularly scheduled Health Services and Development Agency meeting at which the application is originally scheduled; and (B) Any other person wishing to oppose the application must file written objection with the Health Services and Development Agency at or prior

LEBANON DEMOCRAT

PUBLICATION CERTIFICATE

This is to certify that the legal notice hereto attached was published in *The Lebanon Democrat*, a daily newspaper published in the City of Lebanon, County of Wilson, State of Tennessee on the following dates:

Signed: Margaret Ray

Feb. 9, 2013

Subscribed and sworn to before me

on this 14 day of Feb

Commission expires: 2-3-15

PROJECT COMPLETION FORECAST CHART

2013 FEB 14 PM 2 53

Enter the Agency projected Initial Decision date, as published in Rule 68-11-1609(c): May 22, 2013

Assuming the CON approval becomes the final agency action on that date; indicate the number of days **from the above agency decision date** to each phase of the completion forecast.

<u>Phase</u>		DAYS REQUIRED	Anticipated Date (MONTH/YEAR)
1.	Architectural and engineering contract signed	<u>10</u>	<u>June 2013</u>
2.	Department of Health	_____	_____
3.	Construction contract signed	<u>120</u>	<u>September 2013</u>
4.	Building permit secured	<u>140</u>	<u>October 2013</u>
5.	Site preparation completed	<u>200</u>	<u>December 2013</u>
6.	Building construction commenced	<u>240</u>	<u>February 2014</u>
7.	Construction 40% complete	<u>300</u>	<u>April 2014</u>
8.	Construction 80% complete	<u>360</u>	<u>June 2014</u>
9.	Construction 100% complete (approved for occupancy)	<u>420</u>	<u>September 2014</u>
10.	*Issuance of license	<u>460</u>	<u>October 2014</u>
11.	*Initiation of service	<u>460</u>	<u>October 2014</u>
12.	Final Architectural Certification of Payment	<u>460</u>	<u>October 2014</u>
13.	Final Project Report Form (HF0055)	<u>470</u>	<u>November 2014</u>

* For projects that do NOT involve construction or renovation: Please complete items 10 and 11 only.

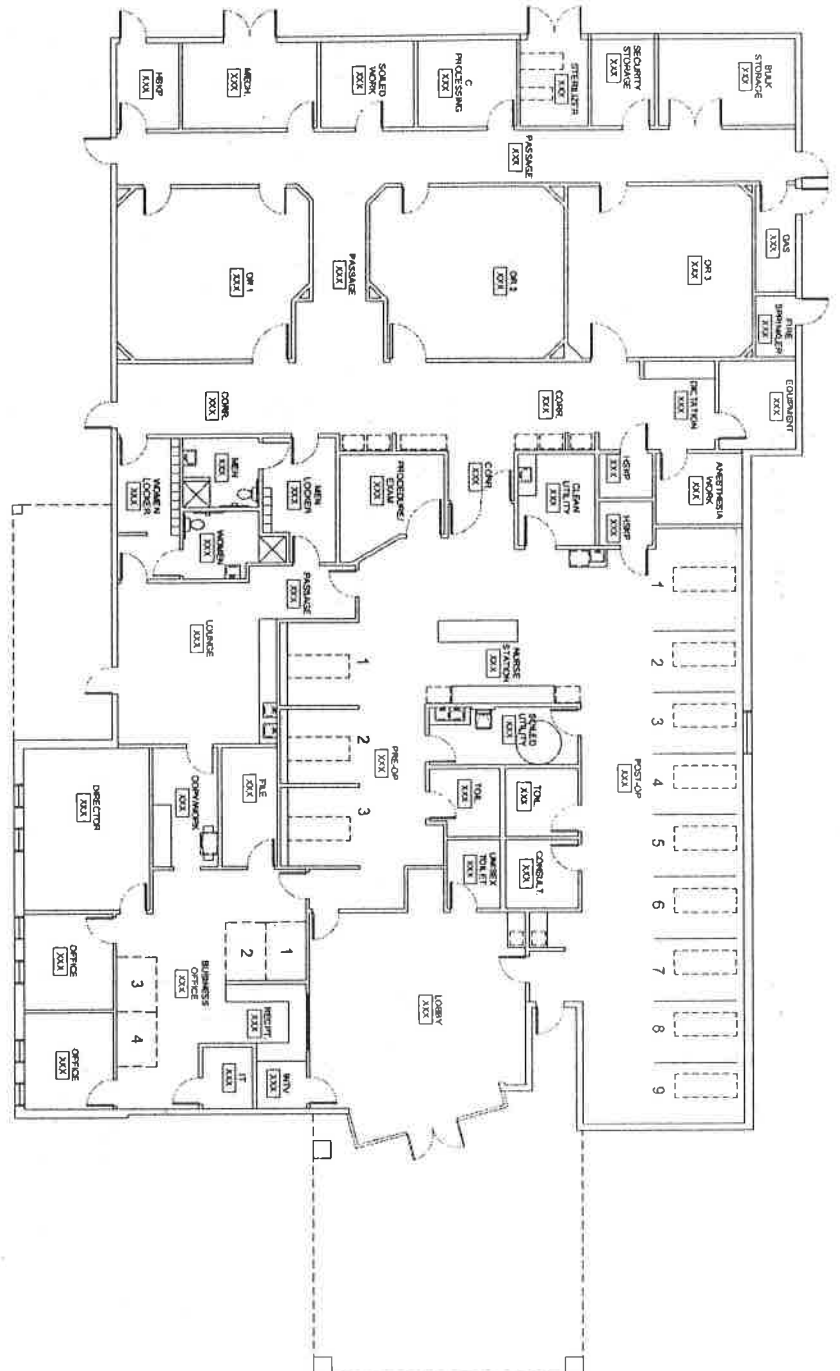
Note: If litigation occurs, the completion forecast will be adjusted at the time of the final determination to reflect the actual issue date.

Lebanon 3 1-15-13

B.III.A. - Plot Plan



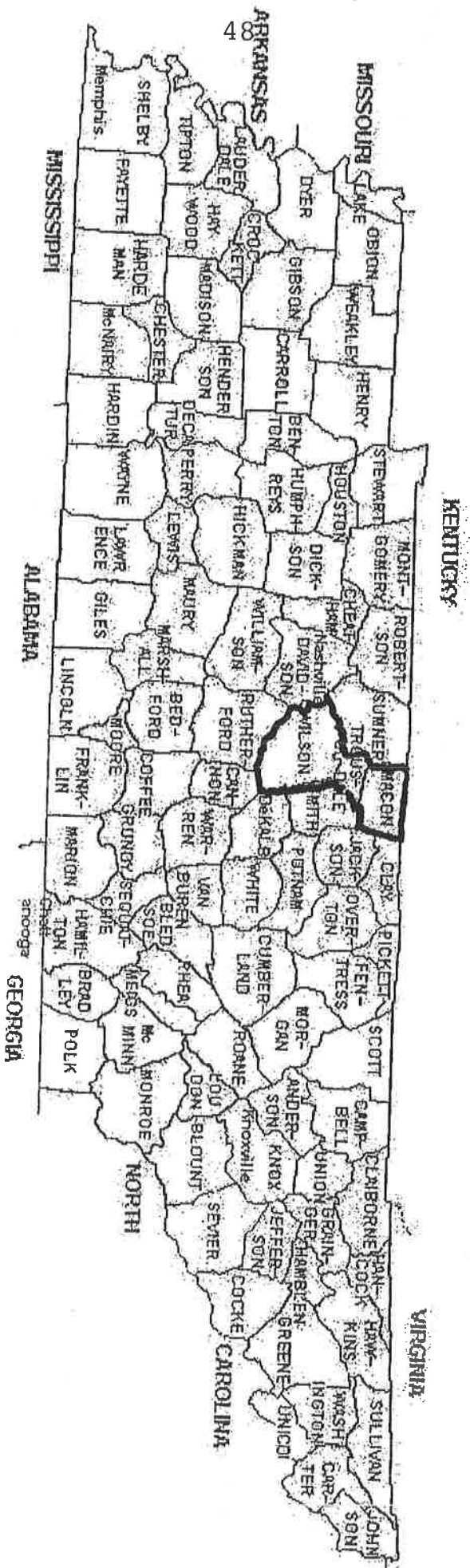
B.IV. - Floor Plan



TOTAL: 9,280 SQ. FT.

1 FLOOR PLAN
1" = 1'-0"

C.3. - Service Area Map



4
8
AR

KENTUCKY

VIRGINIA

ALABAMA
GEORGIA

MISSISSIPPI

Chattanooga

C. Economic Feasibility 1. - Construction Documentation



1614 17th Ave South
 Nashville, TN 37212
 Office 615-277-1178
 Fax 615-277-1179
 www.projxllc.com

February 14, 2013

**RE: New Ambulatory Surgery Center in Lebanon, Tennessee
 For Lebanon Healthcare Partners, LLC
 ProjX Project No. 121004**

To Whom it May Concern:

I am an Architect, licensed in the State of Tennessee. My Architecture License number is 14946.

I designed the attached floor plan for the Ambulatory Surgery Center to be built in Lebanon, Tennessee. Total building size is 9,300 s.f. excluding canopies.

Final construction documents will conform to all codes as listed with the City of Lebanon and the State of Tennessee including:

- 2006 International Building Code
- 2006 International Plumbing Code
- 2006 International Mechanical Code
- 2002 National Electrical Code.
- 2006 International Fire Code
- 2006 International Fuel Gas Code
- 2006 International Existing Building Code
- 2002 North Carolina Handicap Code with 2004 Revisions
- Americans with Disabilities Act (ADA) with 2002 Amendments.
- 2006 Life Safety Code
- 2006 International Energy Conservation Code
- 2006 AIA Guidelines for Design and Construction of Health Care Facilities.
- 2003 ASHRAE Handbook of Fundamentals.

Our estimate of probable cost is \$220 per square foot.

With you in a Spirit of Service,

Ira A. Chilton, NCARB
 TN Architecture License #14946



CARDIOVASCULAR ANESTHESIOLOGISTS, P.C.

Anesthesia and Intensive Care

NANCY J. DELBOY, M.D.
LAWRENCE W. FREUND, D.O.
PAUL A. MAZZONI, M.D.
J. DAVID NETTERVILLE, M.D.

BRIAN J. POORE, M.D.
KENNETH C. PETRONI, M.D.
ROSCOE V. ROBINSON, M.D.
JESSEE SCRUGGS, M.D.
RICHARD C. TOMICHEK, M.D.

February 13, 2013

Mr. Keith Bolton
Lebanon Healthcare Partners LLC
9206 Concord Road
Brentwood, TN 37027

Dear Mr. Bolton:

Thank you for your continued interest, support, and relationship with Cardiovascular Anesthesiologists, PC. As you know, we have enjoyed our relationship with you at some of your other surgery centers, and we look forward to our continued working relationship with you.

Pursuant to our discussion, CVA looks forward to providing anesthesia services at your new facility in Lebanon, known as Surgery Center of Lebanon. We would anticipate that this relationship would involve providing both MD anesthesiologists as well as CRNA's at that facility.

Please continue to keep us updated on the status of the project, and when we can expect to begin service.

Thank you again for your interest in CVA.

Sincerely,



Paul A. Mazzoni MD

2013 FEB 14 PM 2 55

AFFIDAVIT


STATE OF TENNESSEE

COUNTY OF DAVIDSON

KEITH BOLTON, being first duly sworn, says that he is the applicant named in this application or the lawful agent thereof, that this project will be completed in accordance with the application, that the applicant has read the directions to this application, the Rules of the Health Services and Development Agency and T.C.A. § 68-11-1601, *et seq.*, and that the responses to this application or any other questions deemed appropriate by the Health Services and Development Agency are true and complete.

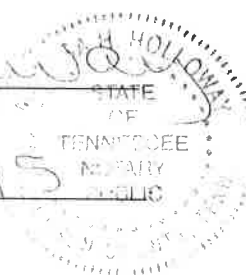
_____
Signature/Title

Sworn to and subscribed before me this the 14th day of February, 2013, a Notary Public in and for the County of Davidson, State of Tennessee.



NOTARY PUBLIC

My Commission expires 5/5/15



Copy

Supplemental #1

Surgery Center of Lebanon

CN1302-003

February 27, 2013

4:19pm

2013 FEB 27 PM 3 19

February 27, 2013

Mr. Phillip M. Earhart
Health Planner III
Tennessee Health Services and Development Agency
Suite 850
Andrew Jackson Building
Nashville, TN 37219

Via Hand Delivery

Re: Certificate of Need Application CN1302-003
Surgery Center of Lebanon

Dear Mr. Earhart:

Set forth below are the responses of Surgery Center of Lebanon, the applicant in Certificate of Need Application CN1302-003 to the request for information dated February 20, 2013. We have filed these in triplicate, as you directed, along with an affidavit regarding the responses. If you have any questions or need additional information, please advise.

1. Section A, Applicant Profile, Item 4

Please describe the existing or proposed ownership structure of the applicant, including an ownership structure organizational chart. Explain the corporate structure and the manner in which all entities of the ownership structure relate to the applicant. As applicable, identify the members of the ownership entity and each member's percentage of ownership for those members with 5% or more ownership interest. In addition, please document the financial interest of the applicant, and the applicant's parent company/owner in any other health care institution as defined in Tennessee Code Annotated, §68-11-1602 in Tennessee. At a minimum, please provide the name, address, current status of licensure/certification, and percentage of ownership for each health care institution identified.

RESPONSE: An organizational chart for Specialty Surgery Centers of America, Inc. is attached as exhibit A. A manifest for Lebanon Healthcare Partners is also attached. All facilities (except for Lebanon Healthcare Partners) identified are currently licensed by the State of Tennessee and accredited either by AAAHC or JCAHO. The only healthcare institution as defined in this question that SSCA owns equity in currently is the Surgery Center of Columbia, 725 S. James Campbell Blvd., Columbia, TN 38401.

2. Section A, Applicant Profile, Item 5

The draft management agreement is noted. Please indicate the management fee payment methodology and schedule. Please describe the management entity's experience in providing

management services for the type of the proposed facility, which is the same or similar to the applicant facility. Please describe the structure of the management entity.

RESPONSE: Lebanon Healthcare Partners will be managed by Specialty Surgery Centers of America, Inc., a corporation. Management fees are to be paid at a rate of 6% of net (cash) revenues. Specialty Surgery Centers of America has owned and managed ambulatory surgery center for 20 years, including 12 at the Surgery Center of Columbia and 8 at the Clarksville Surgery Center. The executed signature page for the management agreement is attached.

3. Section A, Applicant Profile, Item 6

The draft lease agreement is noted. Please attach a fully executed option to lease agreement or other appropriate documentation. The option to lease agreement must include the actual/anticipated term of the agreement and actual/anticipated lease expense.

RESPONSE: An executed signature page for the lease is attached.

4. Section A, Applicant Profile, Item 8

Please specify under 8.E. purpose for review.

RESPONSE: This will be a new institution, as well as the relocation of a project previously approved by the HSDA. A revised 8.E. page is attached.

5. Section B, Project Description, Item I.

In the previously approved project Surgery Center of Lebanon, CN0906-036A, the applicant indicated many physicians, including those involved in Tennessee Sports Medicine and the Lebanon Endoscopy Center, have moved their practices and their surgical facilities south to the I-40 corridor to provide better access to their patients. It appears the applicant in this application is relocating north of Interstate 40 in Lebanon. Please clarify how this relocation will better meet the needs of patients in terms of access as identified in the previously approved project.

Please describe the type of pain management procedures that will be performed at the proposed ASTC site.

The applicant states specialties to initially be represented in the proposed project includes orthopedics, pain management, ENT, general and plastic surgery. Please complete the following table that breaks out the total number of procedures and physicians that will be assigned to each specialty category.

Specialty	Total Cases In Year One	Estimated # of Staff Physicians
Orthopedics		
Pain Management		

ENT		
General Surgery		
Plastic Surgery		
Other		
Total		

RESPONSE: The applicant has been unable to construct this project at its originally approved site due to the financial difficulties of the developer who was supposed to build the MOB which was to have housed this ASTC originally. The new location as set forth in this application is easily accessible; it is just off U.S. Highway 70 in Lebanon, as well as being in close proximity to I-40 and State Route 840 as shown herein.

Specialty	Total Cases In Year One	Estimated # of Staff Physicians
Orthopedics	1155	5
Pain Management	265	2
ENT	287	2
General Surgery	225	8
Plastic Surgery	95	1
Other	378	4
Total	2,405	14

The applicant to deliver the following types of pain management procedures: radiofrequency discectomies, epidural injections, and facet injections, among other types of procedures.

Please indicate if the applicant plans to add additional surgical specialties to the proposed project in the future. If so, what types?

RESPONSE: The applicant will seek to add gynecology, podiatry, urology after opening if the market demands.

6. Section B, Item II B. (Project Description) (Plot Plan)

Your response is noted. Please identify where the proposed ASTC structure will be located on the plot plan. Please indicate and resubmit.

RESPONSE: The requested documentation is attached hereto.

7. Section B, Item III B. (1)

Please indicate the distance of interstate 40 and 840 to the proposed site.

RESPONSE: According to Mapquest.com, this project's site is 3.5 miles from I-40 and 4.5 miles from 840.

8. Section B. Item IV.

Please submit a floor plan drawing which includes legible labeling of patient care rooms, ancillary areas, equipment areas, etc. on an 8 1/2" x 11" sheet of white paper.

RESPONSE: The requested floor plan is attached.

9. Section C, Need Item 1

Please discuss how the proposed project will relate to the "5 Principles for Achieving Better Health found in the State Health Plan."

RESPONSE:

1. *"The purpose of the State Health Plan is to improve the health of Tennesseans."*

RESPONSE: This project will meet the stated goals of this principle. This project will provide convenient, economical ambulatory surgical services to the people of the service area of Wilson, Macon and Trousdale Counties.

2. *"Every citizen should have reasonable access to health care."*

RESPONSE: This project will improve the access to healthcare in the service area. Because it is close to one of the main thoroughfares through the service area, U.S. Highway 70, as well as being quickly available from Interstate 40 and Route 840, this project will assist in insuring that the citizens of the service area have reasonable access to healthcare.

Furthermore, this project will further assist in assuring reasonable access to healthcare because it will serve all enrollees of all three of the TennCare MCOs that serve the people of this service area.

3. *"The state's health care resources should be developed to address the needs of Tennesseans while encouraging competitive markets, economic efficiencies, and the continued development of the state's health care system."*

RESPONSE: This project be efficient in that it provides a newly established ambulatory surgical treatment center that is efficiently designed and that will be competitive in the market for ambulatory surgical services. This will be an independent ambulatory surgical treatment center, not one that is owned by, or related to, any hospital or hospital system.

4. *"Every citizen should have confidence that the quality of health care is continually monitored and standards are adhered to by health care providers."*

RESPONSE: This project will meet the goals of this quality of care principle as set forth above, because it will be managed by an ambulatory surgical treatment center management company that has years of experience in monitoring and assuring that appropriate quality standards are met by the ASTCs that it has managed.

This project will be equitable because it will serve all of the enrollees of the area's three TennCare MCOs, as well as those individuals who have private insurance. It will be patient centered, timely and efficient because it is outpatient oriented and managed by an experienced management company. Its services will be safe and effective because they will be provided by experienced area surgeons whose own professional liability is on the line when they operate in this center.

5. *"The state should support the development, recruitment and retention of a sufficient and quality health care workforce."*

RESPONSE: This project will assist in developing, recruiting and retaining a high quality healthcare workforce. The management company which will manage this project has years of experience in recruitment and retention of a quality healthcare workforce in middle Tennessee, and will apply its experience and skills in this regard in this project.

10. Section C, Need Item 1.b.

Please provide an individual response to each of the following factors:

(4) Applications for Change of Site. When considering a certificate of need application which is limited to a request for a change of site for a proposed new health care institution, the HSDA may consider, in addition to the foregoing factors, the following factors:

- (a) **Need.** The applicant should show the proposed new site will serve the health care needs in the area to be served at least as well as the original site. The applicant should show that there is some significant legal, financial, or practical need to change the proposed new site.

RESPONSE: The applicant asserts that the proposed new site for the establishment of this ASTC project will serve the healthcare needs of the service area at least as well as the original site. It is, as noted above, very convenient to U.S. Highway 70 in Lebanon, Wilson County, as well as being close to Interstate 40 and Route 840. It is necessary for the applicant to change the site for the establishment of this ASTC because of the problems the developer of the proposed former site ran into with financing and carrying out the medical office building project in which this project was originally proposed to be located.

- (b) **Economic factors.** The applicant should show that the proposed new site would be at least as economically beneficial to the population to be served as the original site.

RESPONSE: This project is as economically beneficial to the population to be served as the original site. The applicant will offer its services, just as before, to all enrollees of the three TennCare MCOs in the service area. The easy access of this site to U.S. Highway 70, and its proximity to Interstate 40 as well, will make access to the site very economical for residents of the service area.

- (c) **Contribution to the orderly development of health care facilities and/or services.** The applicant should address any potential delays that would be caused by the proposed change of site, and show that any such delays are outweighed by the benefit that will be gained from the change of site by the population to be served.

RESPONSE: Because the original developer of the site was unable to complete construction of a medical office building which was to house this ASTC as originally proposed, this project will contribute to the orderly development of healthcare facilities in the area. This project, as proposed in this CON application, does not require the construction of a medical office building. It will be housed in a single purpose ASTC building of approximately 9,300 square feet, and it will have adequate parking and access to serve the needs of the service area. It will be much less expensive for the developer to complete than the original project, which required the completion of an MOB in which it was to be housed.

11. Section C, Need Item 1 (Specific Criteria –ASTC Item 3)

Please clarify the distance and driving time the proposed site is from Lebanon (Wilson County), Lafayette (Macon County) and Hartsville (Trousdale) County, TN.

RESPONSE: Per Mapquest.com, Lafayette, in Macon County, is 35 miles from the proposed site of this project. Driving time for these 35 miles is approximately 47 minutes. Hartsville, in Trousdale County, is 21 miles from the project's proposed site in Lebanon, with a driving time of approximately 29 minutes.

12. Section C, Need Item 1 (Specific Criteria –ASTC Item 7)

The projected utilization for the first 8 quarters of the project is noted. Please indicate if the utilization is projected in cases or procedures. If the utilization numbers are procedures, please project utilization in cases.

Please include the specific methodology used to project utilization for the first eight quarters of the proposed project.

RESPONSE: Utilization numbers are in cases. A revised Projected Data Chart is attached.

Please include the specific methodology used to project utilization for the first eight quarters of the proposed project.

These data were developed utilizing the historical experience of the manager in terms of the ramp up of caseload at new ASTCs, taking into account licensure, equipment purchases, managed care contracts, etc.

13. Section C. Item 2

Please indicate if there are any long-range development plans of the applicant beyond establishing an ambulatory surgery treatment center.

RESPONSE: The applicant has no long-range development plans beyond the development of the ASTC.

Does the applicant have in mind a group of anesthesiologists who would be interested and have the capability to provide anesthesia services to the ASTC? If so, please provide a letter of interest from the group which also described their willingness to provide services to TennCare beneficiaries.

RESPONSE: The requested documentation is attached hereto.

14. Section C, Need Item 4 (Service Area Demographics)

Please complete the following table for the service area population and demographics.

Demographic /Geographic Area	Macon County	Wilson County	Trousdale County	Service Area / Macon, Trousdale, Wilson County Total	State of TN Total
Total Population- Current Year -2013					
Total Population- Projected Year -2017					
Total Population-% change					
Age 65 & over Population - 2013					
Age 65 & over Population - 2017					
Age 65 & over Population - % change					
Age 65 & over Population as % of Total Population					
Median Household Income					
TennCare Enrollees					
TennCare Enrollees as % of Total					
Persons Below Poverty Level					

Persons Below Poverty Level as % of Total					
---	--	--	--	--	--

The Tennessee Department of Health's Population Projections 2010-2020 should be used for the population projections, the US Census Bureau and the State of Tennessee Bureau of TennCare websites will be helpful in gathering the other demographic statistics.

RESPONSE:

Demographic /Geographic Area	Macon County	Wilson County	Trousdale County	Service Area / Macon, Trousdale, Wilson County Total	State of TN Total
Total Population-Current Year -2013	23,452	116,150	8,359	147,961	6,414,297
Total Population-Projected Year -2017	24,408	122,658	8,090	155,756	6,623,114
Total Population-% change	4.04%	5.6%	3.96%	5.3%	3.25%
Age 65 & over Population - 2013	2,867	14,229	1,274	18,370	881,390
Age 65 & over Population - 2017	2,703	16,548	1,437	20,688	1,015,339
Age 65 & over Population - % change	6.1%	16.3%	12.83%	12.6%	15.2%
Age 65 & over Population as % of Total Population	14.3%	12.62%	13.8%	12.4%	13.7%
Median Household Income	34,474	61,400	44,163	not known	\$43,939
TennCare Enrollees	5,865	14,294	1,651	21,349	1,213,475
TennCare Enrollees as % of Total	24.7%	12%	19.5%	14%	18.8%
Persons Below Poverty Level	8,184	9,872	1,245	19,301	1,084,016
Persons Below Poverty Level as % of Total	23.9%	8.5%	14.9%	13%	16.9%

15. Section C, Need Item 5

Please complete the following chart.

Provider	2009		2010		2011	
	# OR's	Cases	# OR's	Cases	# OR's	Cases
ASTC's						
Lebanon Endoscopy Ctr.						
Wilson County Eye Surgery Ctr.						

Lebanon Surgical Center						
Hospitals						
Macon Co. Gen Hospital						
Input Cases						
Output Cases						
University Med. Ctr.						
Input Cases						
Output Cases						
Trousdale Medical Center						
Input Cases						
Output Cases						
Total ORs available for Outpt Surgery						
Total Cases						
Total Outpt Cases						

RESPONSE:

Provider	2009		2010		2011	
	# ORs	Procs	# OR's	Procs	# ORs	Procs
ASTCs						
Lebanon Endoscopy Ctr.	2 procs	2,827 procs	2 procs	3,302 procs	2 procs	2,767 procs
Wilson County Eye Surgery Ctr.	1 proc	3,396 procs	1 OR + 1 proc	5,429 procs	1 OR + 1 proc	1,873 procs
Lebanon Surgical Center	1 proc + 1 OR	501 procs	1 proc + 1 OR	199 procs	1 OR + 1 proc	97 procs
Hospitals						
Macon Co. Gen Hospital	11P + 1OP		11P + 1OP		1OP + 11P	
Input Procs		0		14 procs		35 procs
Output Procs		253 procs		352 procs		733 procs
University Med. Ctr.			41P + 4OP		41P + 4OP	
Input Procs		2,684		2,596 procs		2,435 procs
Output Procs		5,287		5,646 procs		5,570 procs
Trousdale Medical Center	11P + 1OP		11P + 1OP		0	
Input Procs		138 procs		19 procs		0
Output Procs		167 procs		22 procs		0
Total ORs available for Outpt Surgery OP & Proc	12		12		11	
Total Procs		15,253		17,579		13,510
Total Outpt Procs		12,431		14,768		11,040

16. Section C. Economic Feasibility Item 1 (Project Cost Chart)

The documentation from a health care experienced licensed architect, engineer, and/or health care facility contractor is noted. Please revise the provided documentation to reflect the proposed ASTC will conform to more recent 2010 AIA Guidelines for Design and Construction of Health Care Facilities.

The following definition regarding leased property cost in Tennessee Health Services and Development Agency Rule 0720-9-.01 (c) states "In calculating the value of a lease, the "cost" is the fair market value of the leased item or the total amount of the lease payment, whichever is greater." Please provide documentation of the fair market value of the premises leased and the calculation of the total amount of the lease payment over the five-year period.

Please provide a listing of the equipment which will cost over \$50,000 per item.

RESPONSE: The requested architectural documentation is attached. The Applicant expects to acquire a single C-arm for \$150,000 and two OR video towers with scopes for \$65,000 each.

The rule cited in this Request does not exist. Instead, Rule 0720-9.01(4)(c) states as follows:

(c) Lease, loan origin in calculating the value of a lease, loan, or gift, the "cost" is the fair market value of the above-described expenditures. In the case of a lease, the costs are the fair market value of the lease or the total amount of the lease payment whichever is greater. (Emphasis added.)

The "fair market value" of the lease at issue in this Certificate of Need must be the fair market value of the lease payments made thereunder.

To obtain the fair market value of lease payments made for five years in the future, those future payments must be discounted to present value. Thus, the actual payments made under the lease must exceed the net present value of those future payments today. The Certificate of Need application listed the total of lease payments made for the Projected Costs Chart.

17. Section C. Economic Feasibility Item 2

The applicant intends to fund the proposed project with a commercial loan. Please provide a letter from a lending institution or guarantor stating favorable initial contact, proposed loan amount, expected interest rates, and anticipated term of the loan, and any restrictions or conditions.

RESPONSE: The requested potential loan documentation is attached.

18. Section C, Economic Feasibility, Item 3

Please compare this project's cost per square foot to cost per square foot ranges of previously approved ASTC projects found in the "Applicant's Toolbox" on the HSDA website (www.tn.gov/hsda) or provide specific examples supporting the reasonableness of proposed project costs.

RESPONSE: Previously approved new ASTCs have run a median cost per square foot at \$252 and a first quartile cost of \$200 per square foot. The last projects completed by the applicant ran between \$200 and \$212 per square foot. The projected costs of \$220 per square foot, given that the plot is level, are appropriate given the cost of other similar projects. The applicant in CON application CN1204-019 reported costs per square foot of \$290 (Southern Sports Surgery Center). Similarly, Maury Regional Ambulatory Surgery Center's CON application, CN1111-046, projected costs of \$224 per square foot.

19. Section C, Economic Feasibility, Item 4

Please indicate the utilization data (specific unit of measure) on the Projected Data Chart in procedures and cases.

RESPONSE: The projected data chart utilization was set forth in cases. A corrected Projected Data Chart is attached.

20. Section C, Economic Feasibility, Item 5

Please identify the project's average gross charge, average deduction from operating revenue and average net charge.

RESPONSE: The requested data are set forth below:

Average Gross Charge:	\$3,810
Average Contractual Adjustment per case:	\$2,686
Average Net Revenue per case:	\$1,124

21. Section C, Economic Feasibility, Item 6 A. and 6.B

The projected charges for the anticipated top five procedures in noted. Please provide the proposed charge schedules for the proposal.

RESPONSE: In 2009, Medicare set ambulatory surgery center reimbursement at 57% of hospital reimbursement for all cases.

The applicant states Medicare reimbursement for procedures performed at free-standing ASTC's are more than 40% lower than reimbursement for the same procedures in hospitals. Please provide specific examples relative to the proposed project that supports this statement.

RESPONSE: Gross charge, contractual and Medicare reimbursement for top five procedures are currently projected to be as follows:

CPT	Description	Applicant's Proposed Charge	Contractual	Medicare Allowable
29866	Knee Arthroscopy	\$5305	\$4244	\$1061
69436	Ear Tubes	3020	2416	604
42826	Tonsil Age >12	4455	3564	891
29806	Shoulder Arthroscopy	3890	3112	778
58671	Lap Tubal	8590	6872	1718

Please compare proposed charges to recently approved HSDA projects such as Southern Sports Surgery Center (CN1204-019A) and Maury Regional Ambulatory Surgery Center, LLC (CN1111-046A).

RESPONSE: Maury Regional ASC's CON application, CN1111-046A, projected (p.16) an average gross charge of \$4,500 with an average deduction of \$3,262, for an average net charge of \$1,237.

Southern Sports Surgery Center's CON application, CN1204-019, projected an average gross charge for surgery of \$5,600, with an average deduction of \$3,434, for an average net charge of \$1,766 for surgical cases.

22. Section C. Economic Feasibility, Item 8

Please describe the access to the mentioned revolving credit line and an equipment term loan the applicant mentions could be used on a worst case basis to continue to fund possible losses within the first two years of the proposed project.

RESPONSE: The applicant intends to have a \$250,000 revolving line of credit available to the company to fund any losses or unanticipated problems during the development, opening, and operation of the Surgery Center of Lebanon.

23. Section C. Economic Feasibility, Item 9

Please identify the three TennCare MCOs the applicant anticipates to contract with.

RESPONSE: The applicant anticipates contracting with the three TennCare MCOs who serve Middle Tennessee: Amerigroup, United Healthcare, and Blue Cross/TennCare Select

The anticipated TennCare and Medicare revenue percentages do not correspond to the Projected Data Chart Gross revenue projections. Please recalculate and resubmit a replacement page if necessary.

RESPONSE: The anticipated TennCare and Medicare revenue percentage as components of gross charges total as follows: Medicare charges equal to \$1,535,937 and projected TennCare charges equal approximately \$658,259. These figures are for the first year of the operations.

The application pages are correct as to percentages of utilization and year actual projections from Medicare and Medicaid.

24. Section C. Economic Feasibility, Item 10

Please provide financial information such as copies of balance sheets and income statements from the most recent reporting period for the corporation, partnership, or principal parties involved with the proposed project.

RESPONSE: Lebanon Healthcare Partners LLC has not begun operations yet and has no income. As of February 25, 2013, the balance sheet of LHP is as follows:

<u>Assets</u>		<u>Liabilities</u>
Cash	\$19,947	-0-
Certificate of Need	\$99,973	

The applicant indicated in the project Surgery Center of Lebanon CN0906-036, Specialty Surgery Centers of America, Inc. will have an ownership of 20% following CON approval. If so, please provide the above mentioned financial documents for that entity.

RESPONSE: Specialty Surgery Centers of America, Inc.'s organizational structure is attached. SSCA's balance sheet only shows the investment cost in each of the entities that it has investments in and does not show a market value of the entities. SSCA has no debt, had income for its owners in excess of \$250,000 last year, and has enough liquidity to fund the entire project itself.

25. Section C. Orderly Development, Item 9 and 10

The applicant has responded "not applicable" to questions 9 and 10. Please indicate the applicant has researched the elements of these two questions relative to any entities or person with more than 5% ownership interest in the applicant or professional licenses held by the applicant. Please respond and submit a replacement page.

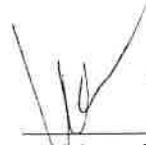
RESPONSE: Specialty Surgery Centers of America, Inc. and its affiliated entities have not had any of the negative actions described in questions 9 and 10 taken against them. The same is true of all other investors in the Lebanon Surgery Center. The other investors will all be physicians with hospital privileges. The screening mechanism for physician ownership in the Lebanon Surgery Center will further supplement the effect of hospital credentialing. The requested replacement page is attached.

Mr. Phillip M. Earhart
February 27, 2013

67

SUPPLEMENTAL- # 1
February 27, 2013
4:19pm

Sincerely,

A handwritten signature in black ink, appearing to be 'KB', written over a horizontal line.

Keith Bolton

Contact Person for Certificate of Need
Application CN1302-003
Surgery Center of Lebanon

Attachments



February 27, 2013
4:19pm

February 19, 2013

RE: New Ambulatory Surgery Center in Lebanon, Tennessee
For Lebanon Healthcare Partners, LLC
ProjX Project No. 121004

To Whom it May Concern:

I am an Architect, licensed in the State of Tennessee. My Architecture License number is 14946.

I designed the attached floor plan for the Ambulatory Surgery Center to be built in Lebanon, Tennessee. Total building size is 9,300 s.f. excluding canopies.

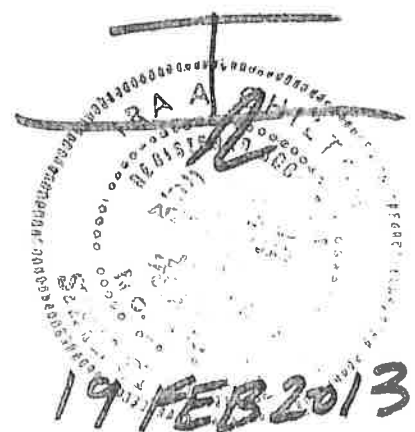
Final construction documents will conform to all codes as listed with the City of Lebanon and the State of Tennessee including:

- 2006 International Building Code
- 2006 International Plumbing Code
- 2006 International Mechanical Code
- 2002 National Electrical Code.
- 2006 International Fire Code
- 2006 International Fuel Gas Code
- 2006 International Existing Building Code
- 2002 North Carolina Handicap Code with 2004 Revisions
- Americans with Disabilities Act (ADA) with 2002 Amendments.
- 2006 Life Safety Code
- 2006 International Energy Conservation Code
- 2010 AIA Guidelines for Design and Construction of Health Care Facilities.
- 2003 ASHRAE Handbook of Fundamentals.

Our estimate of probable cost is \$220 per square foot.

With you in a Spirit of Service,

Ira A. Chilton, NCARB
TN Architecture License #14946



FIRST FARMERS

Lebanon Healthcare Partners

Term Sheet

February 6, 2013

Borrower:	Lebanon Healthcare Partners
Guarantors:	All owners at 125% of their pro-rata % ownership
Credit Facility:	(A) \$1,125,000 Equipment and Furniture Line and Term Financing
	(B) \$ 350,000 working capital Line
Collateral:	(A) 1 st Lien on all equipment and furniture
	(B) 1 st Lien on Account Receivable and Inventory
Terms:	(A) 6 months interest only converting to a 7 year Amortization of principle and interest monthly
	(B) 75% advance against approved accounts receivables And 50% advance against inventory. Line to be approved Annually
Rate:	(A) 4.5% fixed
	(B) Prime + 1%
Commitment Fee:	1% on each facility
Prepayment Penalty:	1% if refinanced by another financial institution
Covenants:	Annual financial information as requested by Bank from Borrower and guarantors. Monthly A/R aging, inventory Listing, and borrowing base certificates. DSC of 1.1X for Year one and 1.25X thereafter. All collateral is cross-Pledged and cross-defaulted
Closing Cost:	Paid by Borrower

This is not a commitment to lend money. All terms and conditions are subject to change and credit approval. This term sheet is for discussion purposes only.

2-26-13

C. H. Howard
Williamson County President
for Richard S. (Dick) Sevier

February 27, 2013

4:19pm

AFFIDAVIT

2013 FEB 27 PM 3 20

STATE OF TENNESSEE

COUNTY OF DAVIDSON

NAME OF FACILITY: Surgery Center of Lebanon

I, KEITH BOLTON, after first being duly sworn, state under oath that I am the applicant named in this Certificate of Need application or the lawful agent thereof, that I have reviewed all of the supplemental information submitted herewith, and that it is true, accurate, and complete.



Signature/Title

Sworn to and subscribed before me, a Notary Public, this the 27th day of February, 2013, witness my hand at office in the County of Davidson, State of Tennessee.



NOTARY PUBLIC

My commission expires:

5/5/15

Copy

**Additional Information for
Supplemental #1**

Surgery Center of Lebanon

CN1302-003

February 28, 2013

4:27pm

2013 FEB 28 PM 4 27

February 28, 2013

Mr. Phillip M. Earhart
Health Planner III
Tennessee Health Services and Development Agency
111 Rosa L. Parks Boulevard
Nashville, TN 37219

Via Hand Delivery

Re: Additional Supplemental Information Requests regarding Certificate of Need
Application CN1302-003 - Surgery Center of Lebanon

Dear Mr. Earhart:

Today, you raised with us two additional issues for which you seek additional information regarding your request for supplemental information in No. 20 and request for supplemental information No. 23.

With regard to No. 20, we have recalculated the average gross charge, average deduction and average net revenue per case, based on your comments. The correct figures are as set forth below:

Average Gross Charge:	\$1,825
Average Contractual Adjustment per case:	\$ 617
Average Net Revenue per case:	\$1,208

With regard to the question you raised as to request for supplemental information No. 23, we clarify our original response as follows. The references we made in the application in response to Item 9, Section C, Economic Feasibility, was that our anticipated utilization of Medicare would be 35% of all patient visits, but 19% of actual total revenue in the first year can be explained. The reference to 35% is that the Surgery Center of Lebanon anticipates that 35% of its patients will be Medicare patients. However, the reference to "19% of total actual revenue in the first year" refers to the applicant's expectation that 19% of its "net operating revenue" as set forth on the Projected Data Chart will be approximately \$552,105. It is this amount of actual net operating revenue that the applicant projects will be attributable to Medicare. In our responses to your request for supplemental information on this issue, we were responding to a question regarding what amount of Lebanon Surgery Center's gross revenue would be anticipated to be Medicare revenue. That figure in our supplemental response is given as \$1,535,927, but the correct figure is \$1,535,937. The same is true in our supplemental response regarding TennCare projected amount of gross charges. Those are accurately set forth in our supplemental response as \$658,259. As noted, these figures are the anticipated figures for actual net operating revenues from these payors in the first year of operations.

Mr. Phillip M. Earhart
February 28, 2013

73

SUPPLEMENTAL- # 1
February 28, 2013
4:27pm

If you have any additional questions, please advise. I have attached an affidavit with this letter.

Sincerely,

A handwritten signature in dark ink, appearing to be 'Keith Bolton', is written over a horizontal line.

Keith Bolton

Contact Person for Certificate of Need
Application CN1302-003
Surgery Center of Lebanon

Attachment

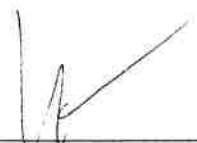
AFFIDAVIT

STATE OF TENNESSEE

COUNTY OF DAVIDSON

NAME OF FACILITY: Surgery Center of Lebanon

I, KEITH BOLTON, after first being duly sworn, state under oath that I am the applicant named in this Certificate of Need application or the lawful agent thereof, that I have reviewed all of the supplemental information submitted herewith, and that it is true, accurate, and complete.



Signature/Title

Sworn to and subscribed before me, a Notary Public, this the 28th day of February, 2013, witness my hand at office in the County of Davidson, State of Tennessee.



NOTARY PUBLIC

My commission expires:

5/5/15

HEALTH SERVICES AND DEVELOPMENT AGENCY
MAY 22, 2013
APPLICATION SUMMARY

NAME OF PROJECT: Surgery Center of Lebanon

PROJECT NUMBER: CN1302-003

ADDRESS: Unaddressed site located on the east side of Blair Lane, near the intersection of Blair Lane and Monument Lane
Lebanon (Wilson County), Tennessee 37087

LEGAL OWNER: Lebanon Healthcare Partners, LLC
102 Hartman Drive, Suite G
Lebanon (Wilson County), Tennessee 37087

OPERATING ENTITY: Specialty Surgery Centers of America, Inc.
9206 Concord Road
Brentwood, Tennessee 37027

CONTACT PERSON: Keith Bolton
(931) 801-2558

DATE FILED: February 14, 2013

PROJECT COST: \$ 2,212,467

FINANCING: Commercial Loan

PURPOSE OF REVIEW: The relocation of a previously approved a Multi-Specialty Ambulatory Surgical Treatment Center (ASTC), CN0906-036A

DESCRIPTION:

Surgery Center of Lebanon is seeking approval for the relocation of an approved but unimplemented Certificate of Need (CON) for a multi-specialty ambulatory surgical treatment center (ASTC) from its originally approved site at 101 Physicians Way, Lebanon (Wilson County), TN to a new unaddressed site located on the east side of Blair Lane in Lebanon (Wilson County), TN. The surgery center will be a venture comprised of an LLC whose members are local

Surgery Center of Lebanon
CN1302-003
May 22, 2013
Page 1

physicians and Brentwood, Tennessee based Specialty Surgery Centers of America, Inc. Specialties to initially be offered include orthopedics, pain management, ENT (Ear, Nose, and Throat), general surgery and plastic surgery.

CRITERIA AND STANDARDS REVIEW

GENERAL CRITERIA FOR CERTIFICATION OF NEED

(4) Applications for Change of Site. When considering a certificate of need application which is limited to a request for a change of site for a proposed new health care institution, the Commission may consider, in addition to the foregoing factors, the following factors:

(a) Need. The applicant should show the proposed new site will serve the health care needs in the area to be served at least as well as the original site. The applicant should show that there is some significant legal, financial, or practical need to change the proposed new site.

The applicant states the new proposed ASTC site is convenient to Highway 70 in Lebanon, Interstate 40 and Route 840. The applicant indicates the developer of the formerly approved ASTC site (CN0702-011A) experienced financing issues that adversely impacted the completion of the project.

It appears that this criterion has been met.

(b) Economic factors. The applicant should show that the proposed new site would be at least as economically beneficial to the population to be served as the original site.

The applicant states the new proposed location will provide easy access to the population to be served by being in close proximity to major roadways. In addition, the applicant indicates all three TennCare MCOs in the proposed service area will be contracted.

It appears that this criterion has been met.

(c) Contribution to the orderly development of health care facilities and/or services. The applicant should address any potential delays that would be caused by the proposed change of site, and show that any such delays are outweighed by the benefit that will be gained from the change of site by the population to be served.

The applicant does not foresee any delays in the proposed ASTC. Lebanon Healthcare Partners will develop and own the property (1.6 acres) and facility by investing in a related company, SSCA Real Estate Investors of Lebanon, LLC.

It appears that this criterion has been met.

SUMMARY:

The new free standing ASTC will be Medicare certified with three (3) operating rooms and one (1) procedure room. The ASTC will be located in a single-story building which the applicant states will allow more accessibility to ambulatory and wheelchair dependent patients. If approved, the proposed ASTC relocation project is expected to be completed in fifteen (15) months. The next two paragraphs provide background and historical information relative to this Certificate of Need application.

Background Information

In 2007, University Medical Center, with the support of its medical staff, filed a Certificate of Need application (CN0702-011A) to relocate and replace with expansion its existing one (1) operating room, (one) 1 procedure room ASTC, citing facility inefficiencies as one of the reasons for submitting the CON. The new replacement ASTC was to be a modern facility with three (3) operating rooms and two (2) procedure rooms. This state of the art facility was to be joint ventured with physician investors from UMC medical staff. The Certificate of Need (CN0702-011A) for the new facility was approved in May 2007 and construction was to begin in March 2008 with a completion date of January 1, 2009. According to the applicant, sometime in between the award of the CON and initiation of the construction of the project, UMC changed its business plans and tried to complete a joint venture of the entire hospital. Investors in the proposed ASTC syndication had their checks returned. The proposed joint venture of the hospital subsequently failed, and the ASTC's Certificate of Need was set to expire on July 1, 2009. UMC was granted a modification to the ASTC's CON at the June 20, 2009 Agency meeting, extending its expiration date to July 1, 2010. UMC's Certificate of Need CN0702-011A expired July 1, 2010 and was never implemented.

After the physicians were refunded their money from the ASTC syndication, they began to explore other options for providing the necessary outpatient surgery services to patients in the service area. On April 28, 2010 a CON, CN0906-036A, was granted by the Agency to the applicant, Lebanon Healthcare Partners, LLC for an ASTC located near the Hartmann Drive and I-40 intersection in Lebanon, TN. University Medical Center appealed the approval

Surgery Center of Lebanon

CN1302-003

May 22, 2013

Page 3

of the CON, and voluntarily dismissed its appeal after (9) months; which extended the expiration date of the CON to March 14, 2013. The applicant then attempted to complete CN0906-036A but the developers of the proposed building which was to house the project ran into financial difficulties. A six-month extension was granted at the February 27, 2013 Agency meeting extending the project expiration date from March 14, 2013 to October 14, 2013. In addition, the applicant has also filed this application (CN1302-003) to relocate the same previously approved ASTC (CN0906-036A) to Blair Lane, Lebanon, TN.

Lebanon Healthcare Partners, LLC, d/b/a Surgery Center of Lebanon, is a physician owned Tennessee Limited Liability Corporation organized May 15, 1999. The applicant indicates it is expected the proposed project management entity, Specialty Surgery Centers of America, Inc., will have an ownership interest of approximately 20% following CON approval. Specialty Surgery Centers of America, Inc. (SSCA) is a for-profit corporation headquartered in Brentwood, Tennessee. Keith Bolton is the sole owner of SSCA, which has ownership interest and provides management services to two (2) multi-disciplinary ambulatory surgical treatment centers within Tennessee: Surgery Center of Columbia in Columbia (Maury County), TN and Clarksville Surgery Center in Clarksville (Montgomery County), TN.

Specialties to initially be represented in the ASTC include Orthopedics, Pain Management, ENT, General Surgery, and Plastic Surgery. The applicant is expected to deliver the following types of pain management procedures: radiofrequency discectomies, epidural injections, and facet injections. The following table breaks out the total number of procedures and physicians that will be assigned to each specialty category.

Specialty	Total Cases In Year One	Estimated # of Staff Physicians
Orthopedics	1,155	5
Pain Management	265	2
ENT	287	2
General Surgery	225	8
Plastic Surgery	95	1
Other	378	4
Total	2,405	14

In the supplemental response, the applicant indicated specialties such as gynecology, podiatry and urology may be added to the ASTC after opening if there is a demand in the market.

The applicant's proposed service area is anticipated to incorporate Wilson, Macon, and Trousdale Counties. The service area was selected based on the historical patient origins of the physicians involved with this project. Approximately 54% percent of their patients are from Wilson County, 14% percent from Macon County and 10% from Trousdale County.

According to the Tennessee Department of Health's Division of Health Statistics, the service area currently has a 2013 population of 147,961 which is estimated to grow 5.3% to 155,756 persons by 2017.

According to the Department of Health, there are four (4) ASTCs in the defined service area: three (3) single specialty ASTCs (ophthalmology, gastroenterology (GI), and orthopedic with pain management) facilities and one (1) multi-specialty ASTC. Macon and Trousdale Counties do not have any ASTCs. All four ASTCs are in the most populated county of the service area: Wilson County. As indicated by the following table, there was only one ASTC located in the proposed service area that exceeded the Guidelines for Growth standard of 800 annual cases/room. The single-specialty, Lebanon Endoscopy Center with two procedures rooms, operated at 162% operating efficiency. In contrast, the Multi-Specialty, Lebanon Surgical Center with one operating room and 1 procedure room, operated at 4.3% operating efficiency in 2011 experiencing a -311% decrease from 284 surgical cases in 2009 to 69 surgical cases in 2011. In 2011, 47 of the 69 patients, or 68% of Lebanon Surgical Center's patients received plastic surgery services. Overall, single specialty ASTC's in the service area performed at 83.1% capacity and multi-specialty ASTCs performed at 4.3% of capacity.

**Proposed Service Area ASTC Utilization Trends
2009-2011**

Type	Facility	County	Operating/ Procedure Rooms	2009 Cases	2010 Cases	2011 Cases	2011 % Utilization vs. 800 Annual Procedures/Room Standard*
Single Specialty (Eye)	Wilson Co. Eye Surgery Center	Wilson	2 1 OR 1 PR	1,314	1,978	1,466	91.6%
Single Specialty (GI)	Lebanon Endoscopy Center	Wilson	2 Total 2 PR	2,637	3,051	2,598	162%
Single Specialty (Orthopedic & Pain Mgmt for Practice only)	*Providence Surgery Center formerly TN Sports Medicine Surgery Ctr.	Wilson	3 2 OR 1 PR	84	1,283	589	24.5%
Single Specialty Total	3		7 3 OR 4 PR	4,035	6,312	4,653	83.1%
Multi Specialty	Lebanon Surgical Center	Wilson	2 Total 1 OR 1 PR	284	164	69	4.3%
Multi Specialty Total	1		2 1 OR 1 PR	284	164	69	4.3%

*Based on 800 procedures per room per year

Source: TN Department of Health, Joint Annual Report for ASTCs, 2009, 2010 & 2011

*Providence Surgery Center's Joint Annual Reports for years 2009-2011 were not posted until April 8, 2013 and are not reflected in the application.

The hospitals in the service also offer outpatient surgery services. There are no standards regarding hospital operating room utilization. For informational purposes, the area hospitals' operating room capacities and outpatient surgical utilization are provided below:

**Proposed Service Area Hospital Surgery Utilization Trends
2009-2011**

Hospital	County	2009 Procedures	2010 Procedures	2011 Procedures	2009-2011 % Change
University Medical Center	Wilson	5,287 Encounters	5,147 Encounters	5,212 Encounters	-1.4%
Macon Co. Gen. Hospital	Macon	218 Encounters	337 Encounters	697 Encounters	+219%
Trousdale Medical Center	Trousdale	154 Encounters	21 Encounters	0 Encounters	N/A
Total		5,659	5,505	5,909	4.4%

Source: TN Department of Health, Joint Annual Report for Hospitals, 2009, 2010 & 2011

The applicant indicates some of the partners in Lebanon Healthcare Partners will develop and own the property (1.6 acres) and facility by investing in a related company, SSCA Real Estate Investors of Lebanon, LLC. The Surgery Center will

Surgery Center of Lebanon
CN1302-003
May 22, 2013
Page 6

lease space from the SSCA Real Estate Investors on a five year lease with four options to extend the lease another 5 years. All the construction costs for the facility will be the responsibility of the landlord.

The applicant stipulates the design and construction of the proposed facility will meet all applicable federal, state and local standards, codes and regulations, including the 2010 AIA Guidelines for Design and Construction of Health Care Facilities. The proposed project involves approximately 9,300 sq. ft. of new construction. The applicant estimates the cost of construction to be approximately \$220.00 per square foot. The projected cost per square foot is between the 1st quartile cost of \$200.00/sq. ft. and the median cost of \$252.74/sq. for new Ambulatory Surgical Treatment Center projects between 2009 and 2011.

The projected 2,405 procedures will produce Gross Operating Revenues (GOR) of \$4,388,391 in the first year of operation, growing to 3,650 procedures and \$6,124,673 GOR in year two. Deductions from Operating Revenue of 34% will reduce the Net Operating Revenue (NOR) to \$2,905,816 in the first year and \$4,070,395 in the second year. Charity Care and Bad Debts are budgeted at 4.3% within the Deductions from Revenue estimates. Net Operating Income of \$473,861 is projected in the first year, while \$715,756 in Net Operating Income is estimated in the second year. Annual Capital Expenditures of \$163,247 will reduce the first year's projected Net Operating Income Less the Capital Expenditures to 310,614. Similar charges for Annual Capital Expenditures in the second year will produce Net Operating Income Less Capital Expenditures of \$527,731. Management fees will be paid at the rate of 6% of net (cash).

The applicant anticipates staffing the proposed ASTC initially with six (6) registered nurses, four (4) scrub techs and 3-4 LPNs. The applicant intends to be licensed by the Tennessee Department of Health's Board for Licensing Health Care Facilities and will seek accreditation with the Accreditation Association for Ambulatory Healthcare (AAHC).

The project's Medicare and TennCare gross revenues are projected at \$1,535,937 (19%) and \$658,259 (10.1%), respectively. The applicant anticipates participating in all three TennCare MCOs operating in the services area: AmeriChoice, AmeriGroup and TennCare Select. All of the physicians currently associated with the applicant and SSCA are participants in all three TennCare plans. The average gross charge is \$1,825/case. The Average Net Charge is estimated to be \$1,208/case.

The cost of the project for CON purposes is projected to be \$2,212,467. Of this total amount, \$930,000 is for the facility; \$75,000 for Architectural and Engineering Fees, \$1,125,000 is for moveable equipment; \$52,500 is for Reserve

Surgery Center of Lebanon

CN1302-003

May 22, 2013

Page 7

for One Year's Debt Service; and the remaining \$29,967 being for legal, administrative and consulting fees, and CON filing fees.

The applicant indicates the proposed project will be financed with a commercial loan. A term sheet dated February 6, 2013 from First Farmers and Merchants Bank indicates interest in providing the applicant a \$1,125,000 loan and a \$350,000 working capital line.

The applicant has submitted the required corporate documentation, real estate option to lease and management agreement. Staff will have a copy of these documents available for member reference at the meeting. Copies are also available for review at the Health Services and Development Agency's office.

Should the Agency vote to approve this project, the CON would expire in two years.

CERTIFICATE OF NEED INFORMATION FOR THE APPLICANT:

There are no other Letters of Intent, denied or pending applications for this applicant.

Outstanding Certificates of Need:

Surgery Center of Lebanon, CN0906-036A, has an outstanding Certificate of Need that will expire on October 14, 2013. The CON was approved at the April 28, 2010 Agency meeting for the establishment of an ambulatory surgical treatment center (ASTC) with three (3) operating rooms and one (1) procedure room. The estimated project cost is **\$4,376,825.00**. University Medical Center appealed the approval of the CON, and voluntarily dismissed its appeal after (9) months; which extended the expiration date of the CON to March 14, 2013. *Project Status Report: A request under General Counsel's Report, for a six month extension of the expiration date from March 14, 2013 to October 14, 2013 was granted by the Agency at the February 27, 2013 Agency meeting, for the purpose of filing the proposed project CN1302-003.*

CERTIFICATE OF NEED INFORMATION FOR OTHER SERVICE AREA FACILITIES:

There are no other Letters of Intent, denied applications, pending applications or Outstanding Certificates of Need for other service area facilities providing this type of service.

PLEASE REFER TO THE REPORT BY THE DEPARTMENT OF HEALTH, DIVISION OF HEALTH STATISTICS, FOR A DETAILED ANALYSIS OF THE STATUTORY CRITERIA OF NEED, ECONOMIC FEASIBILITY, AND CONTRIBUTION TO THE ORDERLY DEVELOPMENT OF HEALTH CARE IN THE AREA FOR THIS PROJECT. THAT REPORT IS ATTACHED TO THIS SUMMARY IMMEDIATELY FOLLOWING THE COLOR DIVIDER PAGE.

PME
(4-8-13)

LETTER OF INTENT



2013 FEB -8 AM 11: 58

LETTER OF INTENT TENNESSEE HEALTH SERVICES AND DEVELOPMENT AGENCY

The Publication of Intent is to be published in the The Lebanon Democrat which is a newspaper
of general circulation in Wilson County, Tennessee, on or before February 9, 2013
(County) (Name of Newspaper) (Month / day) (Year)
for one day.

This is to provide official notice to the Health Services and Development Agency and all interested parties, in accordance with T.C.A. § 68-11-1601 *et seq.*, and the Rules of the Health Services and Development Agency,

Surgery Center of Lebanon

(Name of Applicant)

N/A

(Facility Type-Existing)

owned by: Lebanon Healthcare Partners, LLC with an ownership type of limited liability company
and to be managed by: Specialty Surgery Centers of America, Inc. intends to file an application for a Certificate of Need
for [PROJECT DESCRIPTION BEGINS HERE]:

The relocation of an approved but unimplemented certificate of need for a multi-specialty surgery center. The proposed facility previously approved under CON CN0906-036 will be relocated from its original approved site at 101 Physicians Way, Lebanon (Wilson County), TN 37087 to a new unaddressed site located on the east side of Blair Lane in Lebanon, Wilson County, Tennessee, 37087. The new, unaddressed site is approximately one-quarter mile south of the intersection of Blair Lane and U.S. Highway 70 in Lebanon, and approximately 200 yards south of the intersection of Blair Lane and Monument Lane in Lebanon. As with the originally approved CON application, this ASTC will include three operating rooms and one procedure room, as well as requisite clinical and support space, including 12 pre-operation and post-operation bed spaces. The projected square footage for this project is approximately 9,300 square feet. The estimated project costs are approximately \$2,300,000.

The anticipated date of filing the application is: February 14, 2013

The contact person for this project is Keith Bolton

(Contact Name)

CEO

(Title)

who may be reached at: Specialty Surgery Centers of America, Inc.

(Company Name)

9206 Concord Road

(Address)

Brentwood

(City)

TN

(State)

37027

(Zip Code)

931-801-2558

(Area Code / Phone Number)

William West
(Signature)

2/8/2013
(Date)

sscakeith@bellsouth.net
(E-mail Address)

The Letter of Intent must be filed in triplicate and received between the first and the tenth day of the month. If the last day for filing is a Saturday, Sunday or State Holiday, filing must occur on the preceding business day. File this form at the following address:

Health Services and Development Agency
The Frost Building, Third Floor
161 Rosa L. Parks Boulevard
Nashville, Tennessee 37243

The published Letter of Intent must contain the following statement pursuant to T.C.A. § 68-11-1607(c)(1). (A) Any health care institution wishing to oppose a Certificate of Need application must file a written notice with the Health Services and Development Agency no later than fifteen (15) days before the regularly scheduled Health Services and Development Agency meeting at which the application is originally scheduled; and (B) Any other person wishing to oppose the application must file written objection with the Health Services and Development Agency at or prior to the consideration of the application by the Agency.

ORIGINAL
APPLICATION

1. Name of Facility, Agency, or Institution

2013 FEB 14 PM 2 53

Surgery Center of Lebanon

Name

unaddressed site located on the east side of Blair Lane, approximately 200 yards south of intersection of Blair Lane and Monument Lane

Street or Route

Lebanon

City

TN

State

Wilson

County

37087

Zip Code

2. Contact Person Available for Responses to Questions

Keith Bolton

Name

CEO

Title

Specialty Surgery Centers of America, Inc.

Company Name

sscakeith@bellsouth.net

Email address

9206 Concord Road

Street or Route

Brentwood TN

City State

37027

Zip Code

CEO of Management Entity

Association with Owner

931/801-2558

Phone Number

615/371-6778

Fax Number

3. Owner of the Facility, Agency or Institution

Lebanon Healthcare Partners, LLC

Name

102 Hartman Drive, Suite G

Street or Route

Lebanon

City

TN

State

Phone Number

Wilson

County

37087

Zip Code

4. Type of Ownership of Control (Check One)

A. Sole Proprietorship _____

B. Partnership _____

C. Limited Partnership _____

D. Corporation (For Profit) _____

E. Corporation (Not-for-Profit) _____

F. Government (State of TN or Political Subdivision) _____

G. Joint Venture _____

H. Limited Liability Company ☒

I. Other (Specify) _____

PUT ALL ATTACHMENTS AT THE BACK OF THE APPLICATION IN ORDER AND
REFERENCE THE APPLICABLE ITEM NUMBER ON ALL ATTACHMENTS.

Response: Please see organizational documents included as Attachment A-4.

February 27, 2013
4:19pm5. Name of Management/Operating Entity (If Applicable)

Specialty Surgery Centers of America, Inc.

Name

9206 Concord Road

Street or Route

Brentwood

City

TN

State

Williamson

County

37027

Zip Code

PUT ALL ATTACHMENTS AT THE END OF THE APPLICATION IN ORDER AND
REFERENCE THE APPLICABLE ITEM NUMBER ON ALL ATTACHMENTS.

6. Legal Interest in the Site of the Institution (Check One)

A. Ownership

B. Option to Purchase

C. Lease of 5 Years

D. Option to Lease

E. Other (Specify)

X

PUT ALL ATTACHMENTS AT THE END OF THE APPLICATION IN ORDER AND
REFERENCE THE APPLICABLE ITEM NUMBER ON ALL ATTACHMENTS.

Response: Please see corporate documents attached as Attachment A-6.

7. Type of Institution (Check as appropriate--more than one response may apply)

A. Hospital (Specify)

B. Ambulatory Surgical Treatment

Center (ASTC), Multi-Specialty

C. ASTC, Single Specialty

D. Home Health Agency

E. Hospice

F. Mental Health Hospital

G. Mental Health Residential

Treatment Facility

H. Mental Retardation Institutional

Habilitation Facility (ICF/MR)

I. Nursing Home

J. Outpatient Diagnostic Center

K. Recuperation Center

L. Rehabilitation Facility

M. Residential Hospice

N. Non-Residential Methadone

Facility

O. Birthing Center

P. Other Outpatient Facility

(Specify)

Q. Other (Specify)

X

x

8. Purpose of Review (Check) as appropriate--more than one response may apply)

A. New Institution

B. Replacement/Existing Facility

C. Modification/Existing Facility

D. Initiation of Health Care

Service as defined in

TCA § 68-11-1607(4)

E. (Specify)

F. Discontinuance of OB Services

G. Acquisition of Equipment

H. Change in Bed Complement

[Please note the type of change
by underlining the appropriate
response: Increase, Decrease,
Designation, Distribution,
Conversion, Relocation]

I. Change of Location

J. Other (Specify)

9. **Bed Complement Data** N/A

Please indicate current and proposed distribution and certification of facility beds.

	Current Beds Licensed	*CON	Staffed Beds	Beds Proposed	TOTAL Beds at Completion
A. Medical	_____	_____	_____	_____	_____
B. Surgical	_____	_____	_____	_____	_____
C. Long-Term Care Hospital	_____	_____	_____	_____	_____
D. Obstetrical	_____	_____	_____	_____	_____
E. ICU/CCU	_____	_____	_____	_____	_____
F. Neonatal	_____	_____	_____	_____	_____
G. Pediatric	_____	_____	_____	_____	_____
H. Adult Psychiatric	_____	_____	_____	_____	_____
I. Geriatric Psychiatric	_____	_____	_____	_____	_____
J. Child/Adolescent Psychiatric	_____	_____	_____	_____	_____
K. Rehabilitation	_____	_____	_____	_____	_____
L. Nursing Facility (non-Medicaid Certified)	_____	_____	_____	_____	_____
M. Nursing Facility Level 1 (Medicaid only)	_____	_____	_____	_____	_____
N. Nursing Facility Level 2 (Medicare only)	_____	_____	_____	_____	_____
O. Nursing Facility Level 2 (dually certified Medicaid/Medicare)	_____	_____	_____	_____	_____
P. ICF/MR	_____	_____	_____	_____	_____
Q. Adult Chemical Dependency	_____	_____	_____	_____	_____
R. Child and Adolescent Chemical Dependency	_____	_____	_____	_____	_____
S. Swing Beds	_____	_____	_____	_____	_____
T. Mental Health Residential Treatment	_____	_____	_____	_____	_____
U. Residential Hospice	_____	_____	_____	_____	_____
TOTAL	=====	=====	=====	=====	=====
*CON-Beds approved but not yet in service					

10. **Medicare Provider Number
Certification Type**

To be applied for. _____

11. **Medicaid Provider Number
Certification Type**

To be applied for. _____

12. **If this is a new facility, will certification be sought for Medicare and/or Medicaid? Yes**

13. **Identify all TennCare Managed Care Organizations/Behavioral Health Organizations (MCOs/BHOs) operating in the proposed service area. Will this project involve the treatment of TennCare participants? Yes If the response to this item is yes, please identify all MCOs/BHOs with which the applicant has contracted or plans to contract. The applicant plans to contract with all area MCOs.**

Response: The three TennCare MCO's operating in the proposed service area are AmeriGroup, United Healthcare and TennCare Select. All current physicians associated with the project are contracted providers to each of these plans. .Specialty Surgery Centers

of America, Inc., the management company for the project, contracts with all three TennCare MCO's at its other center in Columbia, and anticipates piggybacking this surgery centers onto its other contracts.

Discuss any out-of-network relationships in place with MCOs/BHOs in the area. NA

NOTE: Section B is intended to give the applicant an opportunity to describe the project and to discuss the need that the applicant sees for the project. Section C addresses how the project relates to the Certificate of Need criteria of Need, Economic Feasibility, and the Contribution to the Orderly Development of Health Care. Discussions on how the application relates to the criteria should not take place in this section unless otherwise specified.

SECTION B: PROJECT DESCRIPTION

Please answer all questions on 8 1/2" x 11" white paper, clearly typed and spaced, identified correctly and in the correct sequence. In answering, please type the question and the response. All exhibits and tables must be attached to the end of the application in correct sequence identifying the questions(s) to which they refer. If a particular question does not apply to your project, indicate "Not Applicable (NA)" after that question.

- I. Provide a brief executive summary of the project not to exceed two pages. Topics to be included in the executive summary are a brief description of proposed services and equipment, ownership structure, service area, need, existing resources, project cost, funding, financial feasibility and staffing.

Response: The need for this CON application for the relocation of a previously-approved CON for the establishment of a multi-specialty ambulatory surgical treatment center ("ASTC") in Wilson County is clear from the history of this project, as well as that of other ASTC CON projects in Wilson County. The need for the establishment of this multi-specialty ASTC in Wilson County, with three operating rooms and a procedure room is clear.

In 2007, University Medical Center, the hospital located in Lebanon, Tennessee, with the support of its medical staff, filed a Certificate of Need application to relocate and expand its very limited, existing one operating room, one procedure room ASTC with a three operating room, two procedure room ASTC on its campus to be joint ventured with its physicians. Construction was to have begun in March 2008, with the project being completed January 1, 2009. Sometime in between, UMC changed business plans, and tried to complete a joint venture of the entire hospital. Investors in the surgery center syndication had their checks returned. The CON for this joint ASTC, CN0702-011, expired on July 1, 2010.

After the involved physicians were refunded their money from the ASTC syndication, several of them started exploring the options for meeting the proven need for an establishment of a multi-specialty freestanding ASTC service area. A CON, CN0906-036, for an ASTC located near the Hartmann Drive and I-40 intersection was granted by the HSDA to the applicant, Lebanon Healthcare Partners, LLC, on April 28, 2010. This CON was then appealed by the local hospital, University Medical Center. The appeal was dismissed early in 2011. The applicant then attempted to carry out the project, but the

developers of the proposed building which was to house the project ran into financial difficulties. Faced with the history of these difficulties at the original CN0906-036 site, the applicant has simultaneously asked for a six-month extension of CN0906-036, and filed this CON application to relocate this ASTC and to establish this ASTC on Blair Lane in Lebanon. The applicant proposes to build the Surgery Center of Lebanon, a three operating room, one procedure room multi-specialty Medicare-certified ambulatory surgery treatment center. The surgery center will be a venture comprised of an LLC whose members are local physicians and Brentwood, Tennessee-based Specialty Surgery Centers of America, Inc.

The service area for this project includes Wilson, Macon, and Trousdale Counties, based on the patient origin for the physicians associated with the proposed ASTC. The population for this service has continued to grow since 2010. Specialties to initially be represented include orthopedics, pain management, ENT, general surgery and plastic surgery.

Currently, there are three single specialty surgery centers in the service area, including the Wilson Eye Surgery Center (ophthalmology), Lebanon Endoscopy Center (GI), and Provident Surgery Center (orthopedics and pain management). In the three-county service area for 2011, reporting operating rooms averaged 999 procedures per room or approximately 25% above the *Guidelines for Growth* capacity standard, according to the Joint Annual Reports filed for these providers.

The Surgery Center of Lebanon is planned to be a 9,300 square foot facility. It will include 12 pre-op and recovery beds, and will have three (3) operating rooms, and one (1) procedure room. Located in a single-story building, it will be easily accessible to ambulatory and wheelchair dependent patients. Its geographic location, on the east side of Blair Lane in Lebanon, Tennessee, approximately one-quarter mile south of the intersection of Blair Lane and U.S. Highway 70 in Lebanon, makes it easily accessible to the public. The total cost of the project is estimated to be approximately \$2,207,500. The ASTC is expected to be completed approximately fifteen months after receiving approval.

The project is projected to perform 2,405 procedures in its first year, and 3,650 in its second. The applicant anticipates staffing of six RNs, four scrub techs and three to four LPNs. The physicians involved with the project and their surgery center management company have adequate capital resources to accomplish this project.

In summary, this project will meet a market need for outpatient surgery services that is not being met by current providers. By establishing a multi-specialty, free-standing ASTC, this project will meet a need that the HSDA has repeatedly found to exist for such a provider in Wilson County. There are currently no viable free-standing surgery centers available without limitations to these physicians in the service area. The utilization of existing facilities providing outpatient surgery is significantly greater than the standard set forth in the *Guidelines for Growth*. The establishment of this much needed ASTC will contribute to the orderly development of healthcare in the service area by providing cost-effective services in the least restrictive setting. The project is financial feasible. Its costs compare favorably to other recently approved ASTCs and the applicant expects to have a positive cash flow in year one of operations.

- II. Provide a detailed narrative of the project by addressing the following items as they relate to the proposal.

- A. Describe the construction, modification and/or renovation of the facility (exclusive of major medical equipment covered by T.C.A. § 68-11-1601 et seq.) including square footage, major operational areas, room configuration, etc. Applicants with hospital projects (construction cost in excess of \$5 million) and other facility projects (construction cost in excess of \$2 million) should complete the Square Footage and Cost per Square Footage Chart. Utilizing the attached Chart, applicants with hospital projects should complete Parts A.-E. by identifying as applicable nursing units, ancillary areas, and support areas affected by this project. Provide the location of the unit/service within the existing facility along with current square footage, where, if any, the unit/service will relocate temporarily during construction and renovation, and then the location of the unit/service with proposed square footage. The total cost per square foot should provide a breakout between new construction and renovation cost per square foot. Other facility projects need only complete Parts B.-E. Please also discuss and justify the cost per square foot for this project.

If the project involves none of the above, describe the development of the proposal.

Response: Surgery Center of Lebanon is expected to be a 9,300 square foot state of the art multi specialty ambulatory surgery treatment center. It will be a new facility and result in the initiation of new services in the service area. It will have three Medicare certified operating rooms, one procedure room, and 12 pre and post-op beds. It will be a newly built, free standing surgery center located on an undeveloped property located at an unaddressed site located on the east side of Blair Lane, Lebanon, Wilson County, Tennessee. Some of the partners in Lebanon Healthcare Partners will develop and own the property (1.6 acres) and develop the facility (approximately 9300 sf) by investing in a related company, SSCA Real Estate Investors of Lebanon LLC. The Surgery Center will lease the space from the SSCA Real Estate Investors on a five year lease with four options to extend the lease another 5 years. All of the construction costs for the facility will be the responsibility of the landlord.

- B. Identify the number and type of beds increased, decreased, converted, relocated, designated, and/or redistributed by this application. Describe the reasons for change in bed allocations and describe the impact the bed change will have on the existing services.

Response: Lebanon Healthcare Partners has already received a Certificate of Need (CN0906-036) to develop a 3 OR, 1 Procedure Room ASTC at another site. It seeks to relocate the establishment of this ASTC to the site proposed herein. The need for the establishment of such a free-standing, multi-specialty ASTC in Wilson County is clear. This CON project will accomplish the establishment of this long-needed ASTC.

- C. As the applicant, describe your need to provide the following health care services (if applicable to this application):

1. Adult Psychiatric Services
2. Alcohol and Drug Treatment for Adolescents (exceeding 28 days)
3. Birthing Center
4. Burn Units
5. Cardiac Catheterization Services
6. Child and Adolescent Psychiatric Services
7. Extracorporeal Lithotripsy
8. Home Health Services
9. Hospice Services
10. Residential Hospice
11. ICF/MR Services
12. Long-term Care Services
13. Magnetic Resonance Imaging (MRI)
14. Mental Health Residential Treatment
15. Neonatal Intensive Care Unit
16. Non-Residential Methadone Treatment Centers
17. Open Heart Surgery
18. Positron Emission Tomography
19. Radiation Therapy/Linear Accelerator
20. Rehabilitation Services
21. Swing Beds

Response: Not applicable.

- D. Describe the need to change location or replace an existing facility.

Response: This project does not involve the relocation of an existing facility; rather, it involves the relocation of a previously-approved project for the establishment of a multi-specialty ASTC in Wilson County. The original business plan for Lebanon Healthcare Partners called for the ASTC to be located inside a to-be-built medical office building near the intersection of I-40 and South Hartman Drive. The property was to be built by a third-party developer, who had acquired the property in 2007. Due to a change in the economy and a devaluation of the property, the developers were not able to complete the project, necessitating the need for the applicant to seek to relocate the site for the establishment of this ASTC.

- E. Describe the acquisition of any item of major medical equipment (as defined by the Agency Rules and the Statute) which exceeds a cost of \$1.5 million; and/or is a magnetic resonance imaging (MRI) scanner, positron emission tomography (PET) scanner, extracorporeal lithotripter and/or linear accelerator by responding to the following:

1. For fixed-site major medical equipment (not replacing existing equipment):
 - a. Describe the new equipment, including:
 1. Total cost; (As defined by Agency Rule).
 2. Expected useful life;

3. List of clinical applications to be provided; and
4. Documentation of FDA approval.

b. Provide current and proposed schedules of operations.

Response: Not applicable.

2. For mobile major medical equipment:

- a. List all sites that will be served;
- b. Provide current and/or proposed schedule of operations;
- c. Provide the lease or contract cost.
- d. Provide the fair market value of the equipment; and
- e. List the owner for the equipment.

Response: Not applicable.

3. Indicate applicant's legal interest in equipment (i.e., purchase, lease, etc.) In the case of equipment purchase include a quote and/or proposal from an equipment vendor, or in the case of an equipment lease provide a draft lease or contract that at least includes the term of the lease and the anticipated lease payments.

Response: Not applicable.

III. (A) Attach a copy of the plot plan of the site on an 8 1/2" x 11" sheet of white paper which **must include:**

1. Size of site (*in acres*);
2. Location of structure on the site; and
3. Location of the proposed construction.
4. Names of streets, roads or highway that cross or border the site.

Please note that the drawings do not need to be drawn to scale. Plot plans are required for all projects.

Response: Please see attached copy of the plot plan included as Attachment B.III(A). The size of the site is approximately 1.6 acres.

(B) 1. Describe the relationship of the site to public transportation routes, if any, and to any highway or major road developments in the area. Describe the accessibility of the proposed site to patients/clients.

Response: The site is located on the east side of Blair Lane, approximately one-quarter mile south of the intersection of Blair Lane and U.S. Highway 70 in Lebanon.

IV. Attach a floor plan drawing for the facility which includes legible labeling of patient care rooms (noting private or semi-private), ancillary areas, equipment areas, etc. on an 8 1/2" x 11" sheet of white paper.

NOTE: **DO NOT SUBMIT BLUEPRINTS.** Simple line drawings should be submitted and need not be drawn to scale.

Response: Please see attached floor plan included as Attachment B.IV.

V. For a Home Health Agency or Hospice, identify:

1. Existing service area by County;

Response: Not applicable.

2. Proposed service area by County;

Response: Not applicable.

3. A parent or primary service provider;

Response: Not applicable.

4. Existing branches; and

Response: Not applicable.

5. Proposed branches.

Response: Not applicable.

SECTION C: GENERAL CRITERIA FOR CERTIFICATE OF NEED

In accordance with Tennessee Code Annotated § 68-11-1609(b), "no Certificate of Need shall be granted unless the action proposed in the application for such Certificate is necessary to provide needed health care in the area to be served, can be economically accomplished and maintained, and will contribute to the orderly development of health care." The three (3) criteria are further defined in Agency Rule 0720-4-.01. Further standards for guidance are provided in the state health plan (Guidelines for Growth), developed pursuant to Tennessee Code Annotated §68-11-1625.

The following questions are listed according to the three (3) criteria: (I) Need, (II) Economic Feasibility, and (III) Contribution to the Orderly Development of Health Care. Please respond to each question and provide underlying assumptions, data sources, and methodologies when appropriate. Please type each question and its response on an 8 1/2" x 11" white paper. All exhibits and tables must be attached to the end of the application in correct sequence identifying the question(s) to which they refer. If a question does not apply to your project, indicate "Not Applicable (NA)."

QUESTIONS **NEED**

1. Describe the relationship of this proposal toward the implementation of the State Health Plan and Tennessee's Health: Guidelines for Growth.

a. Please provide a response to each criterion and standard in Certificate of Need Categories that are applicable to the proposed project. Do not provide responses to General Criteria and Standards (pages 6-9) here.

Response: Please see the criteria and responses for ambulatory service treatment centers included below:

AMBULATORY SURGICAL TREATMENT CENTERS

1. The need for an ambulatory surgical treatment center shall be based upon the following assumptions:

- a. An operating room is available 250 days per year, 8 hours per day.

Response: Surgery Center of Lebanon will have three (3) operating rooms and one (1) procedure room available from 7:30 AM to 3:30 PM, Monday-Friday (except major holidays), 52 weeks per year.

- b. The average time per outpatient surgery case is 60 minutes.

Response: The average time per case is projected to be sixty (60) minutes or less.

- c. The average time for clean up and preparation between outpatient surgery cases is 30 minutes.

Response: The average time for clean up and preparation between cases is expected to be thirty (30) minutes or less.

- d. The capacity of a dedicated, outpatient, general-purpose operating room is 80% of full capacity. That equates to 800 cases per year.

Response: The applicant anticipates performing 601 cases per room the first year, increasing to over 900 cases per room the second year.

- e. Unstaffed operating rooms are considered available for ambulatory surgery and are to be included in the inventory and in the measure of capacity.

Response: All operating rooms are considered available and included in the inventory.

2. "Service Area" shall mean the county or counties represented by the applicant as the reasonable area to which the facility intends to provide services and/or in which the majority of its service recipients reside.

Response: The service area of this project is Wilson, Trousdale, and Macon counties. These counties represent greater than 75% of the origin of the project's patients.

3. The majority of the population of a service area for an ambulatory surgical treatment center should reside within 30 minutes travel time to the facility.

Response: The majority of the population in this service area will reside within 30 minutes travel time to the facility. Our location near U.S. Highway 70 in Lebanon will make access for the population in the service area easy.

4. All applicants should demonstrate the ability to perform a minimum of 800 operations and/or procedures per year per operating room and/or procedure room. This assumes 250 days x 4 surgeries/procedures x .80.

Response: Surgery Center of Lebanon is expected to perform 385 procedures per room in year 1 and 600 procedures per room in year 2.

5. A certificate of need (CON) proposal to establish a new ambulatory surgical treatment center or to expand the existing services of an ambulatory surgical treatment center shall not be approved unless the existing ambulatory surgical services within the applicant's service area or within the applicant's facility are demonstrated to be currently utilized at 80% of service capacity. Notwithstanding the 80% need standard, the Health Facilities Commission may consider proposals for additional facilities or expanded services within an existing facility under the following conditions: proposals for facilities offering limited-specialty type programs or proposals for facilities where accessibility to surgical services is limited.

Response: The facilities in the service area report performing 999 cases per room on average in 2011, or 125% of the service capacity specified by the current state health plan.

6. A CON proposal to establish an ambulatory surgical treatment center or to extend existing services of an ambulatory surgical treatment must specify the number of projected surgical operating rooms to be designated for ambulatory surgical services.

Response: Surgery Center of Lebanon will have three operating rooms and one procedure room.

7. A CON proposal to establish an ambulatory surgical treatment center or to expand existing services of an ambulatory surgical treatment center must project patient utilization for each of the first eight quarters following the completion of the proposed project. All assumptions, including the specific methodology by which utilization is projected, must be clearly stated.

Response: Projected utilization for the first eight quarters are:

Q 1	410
Q 2	540
Q 3	670
Q 4	785
Q 5	850
Q 6	900
Q 7	950

Q 8 950

- b. Applications that include a Change of Site for a health care institution, provide a response to General Criterion and Standards (4)(a-c)

Response: The application does not involve the change of site for an existing healthcare institution.

2. Describe the relationship of this project to the applicant facility's long-range development plans, if any.

Response: The applicant was formed for the purpose of establishing an ambulatory surgery treatment center.

3. Identify the proposed service area and justify the reasonableness of that proposed area. Submit a county level map including the State of Tennessee clearly marked to reflect the service area. **Please submit the map on 8 1/2" x 11" sheet of white paper marked only with ink detectable by a standard photocopier (i.e., no highlighters, pencils, etc.).**

Response: Please see a map of the service area included as Attachment C-Need-3. As indicated on the map, the primary service area for this project is Wilson County, Trousdale County, and Macon County. This service area is based on the service areas of the physicians involved in the project. Approximately 54 percent of their patients are from Wilson County, 14% from Macon, and 10 from Trousdale County.

4. A. Describe the demographics of the population to be served by this proposal.

Response: Please see chart below.

Population Projections, 2009-2020

	2010	2011	2012	2013	2014	2020	Growth 2009- 2010	Growth 2010- 2020
State	6,264,654	6,311,234	6,361,070	6,414,297	10,471,546	6,785,100	1.0%	8%
Service Area								
Wilson	111,199	112,787	114,437	116,150	127,396	127,396	1.7%	15%
Trousdale	8,154	8,215	8,287	8,359	8,443	8,942	1.2%	11%
Macon	22,746	22,974	23,208	23,452	23,706	25,112	1.2%	10%
Total	142,099	143,976	145,932	147,961	159,545	161,450	1.7%	15.5%

Source: Tennessee Population Projections 2000-2020, Tennessee Department of Health, Division of Health Statistics

- B. Describe the special needs of the service area population, including health disparities, the accessibility to consumers, particularly the elderly, women, racial and ethnic minorities, and low-income groups. Document how the business plans of the facility will take into consideration the special needs of the service area population.

Response: There are multiple population segments with special needs in the service area, including a high percentage of TennCare enrollees, a high percentage of non-ambulatory or semi-ambulatory patients, and many dependant on public transportation. To accommodate these patients, the Surgery Center of Lebanon will piggyback its management company's contacts with AmeriGroup, United Healthcare, and TennCare Select, providing access to the center for these patients and their physician providers; will build a one floor building; and build the facility near the intersection of U.S. Highway 70 (West Main Street) and Blair Road.

5. Describe the existing or certified services, including approved but unimplemented CONs, of similar institutions in the service area. Include utilization and/or occupancy trends for each of the most recent three years of data available for this type of project. Be certain to list each institution and its utilization and/or occupancy individually. Inpatient bed projects must include the following data: admissions or discharges, patient days, and occupancy. Other projects should use the most appropriate measures, e.g., cases, procedures, visits, admissions, etc.

Response: The existing certified services in the area include three single specialty surgery centers (one ophthalmology, one orthopaedic/pain management, and one GI), an outdated, dilapidated, seldom used hospital owned (one OR and one procedure room) surgery center, a hospital HOPD, and two hospitals providing outpatient surgery services.

One of the hospitals, Macon County General Hospital has one operating room that does both inpatient and outpatient surgery. There are no multi-specialty stand alone surgery centers in the service area that have properly sized operating rooms and facilities.

Please see the chart below which shows reported utilization of these existing facilities in the primary and secondary service areas, according to the filed JARs of these facilities.

Reported Outpatient Surgery Utilization

<u>County</u>	<u>Facility</u>	<u>OR/PR</u>	<u>2009 Proc.</u>	<u>2010 Proc.</u>	<u>2011 Proc.</u>	<u>Procedures per room in 2011</u>
Wilson	Lebanon Endoscopy Center ¹	2	2827	3302	2767	1383.5
Wilson	Wilson County Eye Surgery Center ²	2	3396	5428	1873	936.5
Wilson	Lebanon Surgical Center ³	2	501	199	97	47.5
Wilson	University Medical Center	4	5287	5646	5518	1379.5
Macon	Macon County General Hospital	1	253	352	733	733
Trousdale	Trousdale Medical Center ⁴	0	167	22	0	0
	Total	11	12431	14949	10988	999

Source: Tennessee Department of Health, Office of Health Statistics, Joint Annual Reports.

¹Limited to endoscopy. Lebanon Endoscopy licensed 4/23/09.

²Limited to ophthalmology.

³Affiliated with University Medical Center.

⁴Formerly utilized a single room as both an operating room and a procedure room, until 2011.

Source: 2011 JAR

In 2007, CON #0702-016 was approved for University Medical Center to build an ASTC with three ORs and two procedure rooms for \$8.6 million. This CON expired on July 1, 2010, according to HSDA records. Originally, this was described as a multi specialty surgery center to be joint ventured with local physicians. Early in 2009, these plans were scrapped, and the hospital instead attempted to joint venture the entire hospital with its medical staff. When this did not fully develop, the hospital filed a request for an extension of the original project with the HSDA. However, this CON expired, as noted above, in July 2010. UMC then decommissioned four operating rooms in the hospital and relocated them to a new hospital outpatient department constructed in the hospital parking lot. This project did not change the capacity of outpatient operating rooms in the service area.

6. Provide applicable utilization and/or occupancy statistics for your institution for each of the past three (3) years and the projected annual utilization for each of the two (2) years following completion of the project. Additionally, provide the details regarding the methodology used to project utilization. The methodology **must include** detailed calculations or documentation from referral sources, and identification of all assumptions.

Response: This project will be a new facility. Thus, it has no historical utilization. The applicant projects that it will experience 2,405 procedures in year 1 of operations, and 3,650 procedures in year 2 of operations.

ECONOMIC FEASIBILITY

1. Provide the cost of the project by completing the Project Costs Chart on the following page. Justify the cost of the project.
 - All projects should have a project cost of at least \$3,000 on Line F. (Minimum CON Filing Fee). CON filing fee should be calculated from Line D. (See Application Instructions for Filing Fee)
 - The cost of any lease should be based on fair market value or the total amount of the lease payments over the initial term of the lease, whichever is greater.
 - The cost for fixed and moveable equipment includes, but is not necessarily limited to, maintenance agreements covering the expected useful life of the equipment; federal, state, and local taxes and other government assessments; and installation charges, excluding capital expenditures for physical plant renovation or in-wall shielding, which should be included under construction costs or incorporated in a facility lease.
 - For projects that include new construction, modification, and/or renovation; **documentation must be** provided from a contractor and/or architect that support the estimated construction costs.

Response: Please see the project costs chart on the following page. A letter from Steve Powell, Principal, Powell Design Studio that supports the estimated construction costs is included as Attachment G Economic Feasibility-1.

PROJECT COSTS CHART

2013 FEB 14 PM 2 53

A. Construction and equipment acquired by purchase:		
1.	Architectural and Engineering Fees	\$75,000
2.	Legal, Administrative (Excluding CON Filing Fee), Consultant Fees	\$25,000
3.	Acquisition of Site	
4.	Preparation of Site	
5.	Construction Costs	
6.	Contingency Fund	
7.	Fixed Equipment (Not included in Construction Contract)	
8.	Moveable Equipment (List all equipment over \$50,000)	\$1,125,000
9.	Other (Specify) _____	
B. Acquisition by gift, donation, or lease:		
1.	Facility (inclusive of building and land)	930,000
2.	Building only	
3.	Land only	
4.	Equipment (Specify)	
5.	Other (Specify) _____	
C. Financing Costs and Fees:		
1.	Interim Financing	
2.	Underwriting Costs	
3.	Reserve for One Year's Debt Service	52,500
4.	Other (Specify) _____	
D.	Estimated Project Cost (A+B+C)	2,207,500
E.	CON Filing Fee	4,967
F.	Total Estimated Project Cost (D+E)	
	TOTAL	\$2,212,467

2. Identify the funding sources for this project.
- a. Please check the applicable item(s) below and briefly summarize how the project will be financed. (Documentation for the type of funding **MUST** be inserted at the end of the application, in the correct alpha/numeric order and identified as Attachment C, Economic Feasibility-2.)
- X A. Commercial loan--Letter from lending institution or guarantor stating favorable initial contact, proposed loan amount, expected interest rates, anticipated term of the loan, and any restrictions or conditions;
- B. Tax-exempt bonds--Copy of preliminary resolution or a letter from the issuing authority stating favorable initial contact and a conditional agreement from an underwriter or investment banker to proceed with the issuance;
- C. General obligation bonds--Copy of resolution from issuing authority or minutes from the appropriate meeting.
- D. Grants--Notification of intent form for grant application or notice of grant award; or
- E. Cash Reserves--Appropriate documentation from Chief Financial Officer.
- F. Other--Identify and document funding from all other sources.
3. Discuss and document the reasonableness of the proposed project costs. If applicable, compare the cost per square foot of construction to similar projects recently approved by the Health Services and Development Agency.

Response: Although this ASTC will be leased, the projected construction costs for its builder (\$220 per square foot) compare favorably with the costs of other recently approved ASTC CONs, as set forth below.

COMPARABLE ASTC CONSTRUCTION COSTS

Facility	CON Number	Cost Per Square Foot
Plateau Surgery Center	CN0804-025	\$160
Mid-State Endoscopy Center	CN0901-004	\$175
Specialty Care	CN0810-077	\$200
McCabe Eye Surgery Center	CN0807-042	\$250

4. Complete Historical and Projected Data Charts on the following two pages--**Do not modify the Charts provided or submit Chart substitutions!** Historical Data Chart represents revenue and expense information for the last three (3) years for which complete data is available for the institution. Projected Data Chart requests information for the two (2) years following the completion of this proposal. Projected Data Chart should reflect revenue and expense projections for the ***Proposal Only*** (i.e., if the application is for additional beds, include anticipated revenue from the proposed beds only, not from all beds in the facility).

Response: The applicant seeks to establish a new ASTC. Thus, it has no historical utilization data. Its projected data for the first two years of operation are set forth in the attached Projected Data Chart.

5. Please identify the project's average gross charge, average deduction from operating revenue, and average net charge.

Response: The average net revenue per patient for each specialty was obtained from the company's other institutions as follows:

*Orthopaedics	\$1,500
*ENT	\$1300
*Pain	\$450
*GYN	\$940
*General Surgery	\$1100

HISTORICAL DATA CHART

Give information for the last three (3) years for which complete data are available for the facility or agency. The fiscal year begins in _____ (Month) _____, _____.

2013 FEB 14 PM 2:53 Not Applicable.

	Year _____	Year _____	Year _____
A. Utilization Data (Specify unit of measure) _____	_____	_____	_____
B. Revenue from Services to Patients			
1. Inpatient Services	\$ _____	\$ _____	\$ _____
2. Outpatient Services	_____	_____	_____
3. Emergency Services	_____	_____	_____
4. Other Operating Revenue	_____	_____	_____
(Specify) _____			
Gross Operating Revenue	\$ _____	\$ _____	\$ _____
C. Deductions for Operating Revenue			
1. Contractual Adjustments	\$ _____	\$ _____	\$ _____
2. Provision for Charity Care	_____	_____	_____
3. Provisions for Bad Debt	_____	_____	_____
Total Deductions	\$ _____	\$ _____	\$ _____
NET OPERATING REVENUE	\$ _____	\$ _____	\$ _____
D. Operating Expenses			
1. Salaries and Wages	\$ _____	\$ _____	\$ _____
2. Physician's Salaries and Wages	_____	_____	_____
3. Supplies	_____	_____	_____
4. Taxes	_____	_____	_____
5. Depreciation	_____	_____	_____
6. Rent	_____	_____	_____
7. Interest, other than Capital	_____	_____	_____
8. Other Expenses (Specify) _____	_____	_____	_____
Total Operating Expenses	\$ _____	\$ _____	\$ _____
E. Other Revenue (Expenses) – Net (Specify) _____	\$ _____	\$ _____	\$ _____
NET OPERATING INCOME (LOSS)			
F. Capital Expenditures			
1. Retirement of Principal	\$ _____	\$ _____	\$ _____
2. Interest	_____	_____	_____
Total Capital Expenditures	\$ _____	\$ _____	\$ _____
NET OPERATING INCOME (LOSS)			
LESS CAPITAL EXPENDITURES	\$ _____	\$ _____	\$ _____

February 27, 2013

4:19pm

PROJECTED DATA CHART

Give information for the two (2) years following the completion of this proposal. The fiscal year begins in January (Month).

	Year 1	Year 2
A. Utilization Data (Specify unit of measure) cases	<u>2,405</u>	<u>3,650</u>
B. Revenue from Services to Patients		
1. Inpatient Services	\$ <u> </u>	\$ <u> </u>
2. Outpatient Services	<u>4,388,391</u>	<u>6,124,673</u>
3. Emergency Services	<u> </u>	<u> </u>
4. Other Operating Revenue (Specify) <u> </u>	<u> </u>	<u> </u>
Gross Operating Revenue	<u>\$4,388,391</u>	<u>\$6,124,673</u>
C. Deductions from Gross Operating Revenue		
1. Contractual Adjustments	<u>\$1,294,575</u>	<u>\$1,806,778</u>
2. Provision for Charity Care	<u>88,000</u>	<u>122,500</u>
3. Provisions for Bad Debt	<u>100,000</u>	<u>125,000</u>
Total Deductions	<u>\$1,482,575</u>	<u>\$2,054,278</u>
NET OPERATING REVENUE	<u>\$2,905,816</u>	<u>\$4,070,395</u>
D. Operating Expenses		
1. Salaries and Wages	<u>812,890</u>	<u>1,233,700</u>
2. Physician's Salaries and Wages	<u> </u>	<u> </u>
3. Supplies	<u>670,000</u>	<u>1,100,000</u>
4. Taxes	<u> </u>	<u> </u>
5. Depreciation	<u>160,715</u>	<u>160,715</u>
6. Rent	<u>186,000</u>	<u>186,000</u>
7. Interest, other than Capital	<u> </u>	<u> </u>
8. Management Fees:		
a. Fees to Affiliates	<u>174,350</u>	<u>244,224</u>
b. Fees to Non-Affiliates	<u> </u>	<u> </u>
9. Other Expenses (Specify) <u>Laundry, utilities, insurance, maintenance</u>	<u>428,000</u>	<u>430,000</u>
Total Operating Expenses	<u>\$2,431,955</u>	<u>\$3,354,639</u>
E. Other Revenue (Expenses) -- Net (Specify)	\$ <u> </u>	\$ <u> </u>
NET OPERATING INCOME (LOSS)	<u>\$473,861</u>	<u>\$715,756</u>
F. Capital Expenditures		
1. Retirement of Principal	<u>\$69,222</u>	<u>\$142,814</u>
2. Interest	<u>94,205</u>	<u>45,211</u>
Total Capital Expenditures	<u>\$163,247</u>	<u>\$188,025</u>
NET OPERATING INCOME (LOSS)		
LESS CAPITAL EXPENDITURES	<u>\$310,614</u>	<u>\$527,731</u>

6. A. Please provide the current and proposed charge schedules for the proposal. Discuss any adjustment to current charges that will result from the implementation of the proposal. Additionally, describe the anticipated revenue from the proposed project and the impact on existing patient charges.

Response: Projected charges for the anticipated top five procedures are as follows:

*Knee arthroscopy:	\$3515
*Ear Tubes	\$4560
Tonsil	\$2796
*Shoulder arthroscopy	\$3515
*Lap Tubal	\$3895

- B. Compare the proposed charges to those of similar facilities in the service area/adjoining service areas, or to proposed charges of projects recently approved by the Health Services and Development Agency. If applicable, compare the proposed charges of the project to the current Medicare allowable fee schedule by common procedure terminology (CPT) code(s).

Response: The introduction of a multi specialty ambulatory surgery center to the community will result in significant savings to all payers and all patients. The introduction of these services to the service area will have a positive impact on reducing the cost of healthcare. Currently Medicare reimbursement for procedures performed at free-standing ASTCs is more than 40% lower than reimbursement for the same procedures in hospitals.

7. Discuss how projected utilization rates will be sufficient to maintain cost-effectiveness.

Response: Unlike other projects, this is a project that was designed from the ground up. With flexible staffing and overhead, the project should achieve a positive cash flow in the first year of operations.

8. Discuss how financial viability will be ensured within two years; and demonstrate the availability of sufficient cash flow until financial viability is achieved.

Response: Lebanon Healthcare Partners, LLC will raise some \$250,000 in equity for initial start up and capitalization to reach break even. Although additional capital calls are not anticipated, a capital call on LLC members could be used on a worst case basis to continue to fund losses. It will also have access to a revolving credit line, and a term loan on its equipment.

9. Discuss the project's participation in state and federal revenue programs including a description of the extent to which Medicare, TennCare/Medicaid, and medically indigent patients will be served by the project. In addition, report the estimated dollar amount of revenue and percentage of total project revenue anticipated from each of TennCare, Medicare, or other state and federal sources for the proposal's first year of operation.

Response: Surgery Center of Lebanon anticipates participating in Medicare and TennCare. All physicians in the project are TennCare providers, and all of Specialty Surgery Centers of America (the management company) surgery centers have contracted with all three TennCare MCOs.

Medicare utilization is expected to be 35% of all patient visits, is expected to produce 19% of total actual revenue in the first year, or approximately \$552,105. TennCare utilization is expected to be 15% of all patient visits, is expected to produce 10.1% of actual revenues, or approximately \$293,500.

10. Provide copies of the balance sheet and income statement from the most recent reporting period of the institution and the most recent audited financial statements with accompanying notes, if applicable. For new projects, provide financial information for the corporation, partnership, or principal parties involved with the project. Copies must be inserted at the end of the application, in the correct alpha-numeric order and labeled as Attachment C, Economic Feasibility-10.

Response: This is a relatively new LLC with limited prior operations and no operating income to date.

11. Describe all alternatives to this project which were considered and discuss the advantages and disadvantages of each alternative including but not limited to:

- a. A discussion regarding the availability of less costly, more effective, and/or more efficient alternative methods of providing the benefits intended by the proposal. If development of such alternatives is not practicable, the applicant should justify why not; including reasons as to why they were rejected.

Response: Establishing a new, state of the art, multi specialty surgery center is the most cost effective method of providing services to patients in this service area. The CON previously approved withstood an appeal and a recession. Other than not completing the project, no alternatives to relocation are economically available. The possibility of acquiring an existing single-specialty center and converting it, via CON, to multi-specialty status was considered, but the costs were prohibitive and a CON would still be required.

- b. The applicant should document that consideration has been given to alternatives to new construction, e.g., modernization or sharing arrangements. It should be documented that superior alternatives have been implemented to the maximum extent practicable.

Response: There are no other multi specialty surgery centers in the service area that have adequate facilities. The cost of this relocation project compares favorably to the cost of this project as originally approved.

(III.) CONTRIBUTION TO THE ORDERLY DEVELOPMENT OF HEALTH CARE

1. List all existing health care providers (e.g., hospitals, nursing homes, home care organizations, etc.), managed care organizations, alliances, and/or networks with which the applicant currently has or plans to have contractual and/or working relationships, e.g., transfer agreements, contractual agreements for health services.

Response: All of the physicians involved in this project are on staff at University Medical Center, and would seek to have a transfer agreement with the hospital, as well as working arrangements for laboratory, sharing of equipment, etc.

Surgery Center of Lebanon anticipates providing in the following managed care contracts that its management company has at other centers. This includes

Medicare

BlueCross

AmeriGroup

United Healthcare

TennCare Select

Aetna

Cigna

Humana

Private Healthcare Systems

Tri-Care

Etc.

2. Describe the positive and/or negative effects of the proposal on the health care system. Please be sure to discuss any instances of duplication or competition arising from your proposal including a description of the effect the proposal will have on the utilization rates of existing providers in the service area of the project.

Response: The Surgery Center of Lebanon will have a positive impact on the medical community for multiple reasons. First, there is currently a need for 3-5 additional operating rooms in the service area. This was initially evidence by the approval by the HSDA of University Medical Center's CON in July, 2007 as well as the prior CON for this project at its original site. Since then, only a small orthopedic only center has been developed, while population in the service area has continued to grow.

Secondly, there is a need for a free standing multi specialty surgery center that will provide needed cost competition to the market. Surgery Center of Lebanon will charge significantly less than local hospitals for the same procedures, and will be reimbursed significantly less, achieving significant savings for government payors, insurers, and patients.

Finally, this project will bring surgical services into a more accessible environment for all patients. Additional capacity will allow better scheduling of patients. Moreover, the location of this facility near Highway 70 in Lebanon will provide improved transportation access for outpatient surgery patients.

3. Provide the current and/or anticipated staffing pattern for all employees providing patient care for the project. This can be reported using FTEs for these positions. Additionally, please compare the clinical staff salaries in the proposal to prevailing wage patterns in the service area as published by the Tennessee Department of Labor & Workforce Development and/or other documented sources.

Response: Surgery Center of Lebanon anticipates staffing the center initially with 6 registered nurses, 4 scrub techs, and 3-4 LPNs. Total FTEs are expected to be 18. Base rates for Registered Nurses is expected to be \$28-\$33 per hour. According to the website of the Tennessee Department of Labor and Workforce Development in the Metro Nashville MSA, which includes this service area, the RN median wage was \$28.90 per hour in 2012. The TDOLWFD website reports 2012 median wages for "Healthcare Support Workers, All Other" as \$14.60 per hour.

4. Discuss the availability of and accessibility to human resources required by the proposal, including adequate professional staff, as per the Department of Health, the Department of Mental Health and Developmental Disabilities, and/or the Division of Mental Retardation Services licensing requirements.

Response: The applicant does not anticipate any difficulty in finding adequate staffing for the facility.

5. Verify that the applicant has reviewed and understands all licensing certification as required by the State of Tennessee for medical/clinical staff. These include, without limitation, regulations concerning physician supervision, credentialing, admission privileges, quality assurance policies and programs, utilization review *policies and programs, record keeping, and staff education.*

Response: The Applicant has reviewed and understands all certifications as required by the State of Tennessee for medical/clinical staff.

6. Discuss your health care institution's participation in the training of students in the areas of medicine, nursing, social work, etc. (e.g., internships, residencies, etc.).

Response: The Center's Management Company has participated in training of scrub techs and nursing students in the past, and anticipates doing so in the future..

7. (a) Please verify, as applicable, that the applicant has reviewed and understands the licensure requirements of the Department of Health, the Department of Mental Health and Developmental Disabilities, the Division of Mental Retardation Services, and/or any applicable Medicare requirements.

Response: The applicant has reviewed and understands the licensure requirements of the Department of Health and any applicable Medicare requirements.

- (b) Provide the name of the entity from which the applicant has received or will receive licensure, certification, and/or accreditation.

Licensure:

February 27, 2013

4:19pm

Response: The Tennessee Department of Health, Division of Licensing and Certification would issue our license. The applicant will seek early accreditation with the Accreditation Association for Ambulatory Healthcare (AAAHHC).

If an existing institution, please describe the current standing with any licensing, certifying, or accrediting agency. Provide a copy of the current license of the facility.

Response: Not applicable.

- (c) For existing licensed providers, document that all deficiencies (if any) cited in the last licensure certification and inspection have been addressed through an approved plan of correction. Please include a copy of the most recent licensure/certification inspection with an approved plan of correction.

Response: Not applicable.

9. Document and explain any final orders or judgments entered in any state or country by a licensing agency or court against professional licenses held by the applicant or any entities or persons with more than a 5% ownership interest in the applicant. Such information is to be provided for licenses regardless of whether such license is currently held.

Response: Specialty Surgery Centers of America, Inc. and its affiliated entities have not had any of the negative actions described in questions 9 and 10 taken against them. The same is true of all other investors in the Lebanon Surgery Center. The other investors will all be physicians with hospital privileges. The screening mechanism for physician ownership in the Lebanon Surgery Center will further supplement the effect of hospital credentialing.

10. Identify and explain any final civil or criminal judgments for fraud or theft against any person or entity with more than a 5% ownership interest in the project

Response: Specialty Surgery Centers of America, Inc. and its affiliated entities have not had any of the negative actions described in questions 9 and 10 taken against them. The same is true of all other investors in the Lebanon Surgery Center. The other investors will all be physicians with hospital privileges. The screening mechanism for physician ownership in the Lebanon Surgery Center will further supplement the effect of hospital credentialing.

11. If the proposal is approved, please discuss whether the applicant will provide the Tennessee Health Services and Development Agency and/or the reviewing agency information concerning the number of patients treated, the number and type of procedures performed, and other data as required.

Response: The applicant will provide the information as required.

PROOF OF PUBLICATION

Attach the full page of the newspaper in which the notice of intent appeared with the mast and dateline intact or submit a publication affidavit from the newspaper as proof of the publication of the letter of intent.

Response: Please see attached [affidavit of] publication showing that publication occurred in The Lebanon.

DEVELOPMENT SCHEDULE

Tennessee Code Annotated § 68-11-1609(c) provides that a Certificate of Need is valid for a period not to exceed three (3) years (for hospital projects) or two (2) years (for all other projects) from the date of its issuance and after such time shall expire; provided, that the Agency may, in granting the Certificate of Need, allow longer periods of validity for Certificates of Need for good cause shown. Subsequent to granting the Certificate of Need, the Agency may extend a Certificate of Need for a period upon application and good cause shown, accompanied by a non-refundable reasonable filing fee, as prescribed by rule. A Certificate of Need which has been extended shall expire at the end of the extended time period. The decision whether to grant such an extension is within the sole discretion of the Agency, and is not subject to review, reconsideration, or appeal.

1. Please complete the Project Completion Forecast Chart on the next page. If the project will be completed in multiple phases, please identify the anticipated completion date for each phase.
2. If the response to the preceding question *indicates that the applicant does not anticipate completing the project within the period of validity as defined in the preceding paragraph*, please state below any request for an extended schedule and document the "good cause" for such an extension.

Response: The applicant does not anticipate requesting an extension of time at this time.

Form HF0004
Revised 05/03/04
Previous Forms are obsolete

LEBANON DEMOCRAT

PUBLICATION CERTIFICATE

This is to certify that the legal notice hereto attached was published in
The Lebanon Democrat, a daily newspaper published in the City of
 Lebanon, County of Wilson, State of Tennessee on the following dates:

NOTIFICATION OF INTENT TO APPLY FOR A CERTIFICATE OF NEED

This is to provide official notice to the Health Services and Development Agency and all interested parties in accordance with T.C.A. § 58-11-1601 et seq., and the Rules of the Health Services and Development Agency, that: Surgery Center of Lebanon, N/A owned by Lebanon Healthcare Partners, LLC with an ownership type of limited liability company and to be managed by Specialty Surgery Centers of America, Inc. intends to file an application for a Certificate of Need for:

The relocation of an approved but unimplemented certificate of need for a multi-specialty surgery center. The proposed facility previously approved under CON CN0906-036 will be relocated from its original approved site at 101 Physicians Way, Lebanon (Wilson County), TN 37087 to a new unaddressed site located on the east side of Blair Lane in Lebanon, Wilson County, Tennessee 37087. The new, unaddressed site is approximately one-quarter mile south of the intersection of Blair Lane and U.S. Highway 70 in Lebanon, and approximately 200 yards south of the intersection of Blair Lane and Monument Lane in Lebanon. As with the originally approved CON application, this ASTC will include three operating rooms and one procedure room, as well as requisite clinical and support space, including 12 pre-operation and post-operation bed spaces. The projected square footage for this project is approximately 9,300 square feet. The estimated project costs are approximately \$2,300,000.

The anticipated date of filing the application is: February 14, 2013.

The contact person for this project is: Keith Bolton, CEO who may be reached at: Specialty Surgery Centers of America, Inc., 9206 Concord Road, Brentwood, TN 37027, 931-801-2558.

Upon written request by interested parties, a local Fact-Finding public hearing shall be conducted. Written requests for hearing should be sent to:

Health Services and Development Agency
 The Frost Building, Third Floor
 161 Rosa L. Parks Boulevard
 Nashville, Tennessee 37243

The published Letter of Intent must contain the following statement pursuant to T.C.A. § 58-11-1607(c)(1): (A) Any health care institution wishing to oppose a Certificate of Need application must file a written notice with the Health Services and Development Agency no later than fifteen (15) days before the regularly scheduled Health Services and Development Agency meeting at which the application is originally scheduled; and (B) Any other person wishing to oppose the application must file written objection with the Health Services and Development Agency at or prior

Signed: Alexander Ray

Feb. 9, 2013

Subscribed and sworn to before me

on this 14 day of Feb

Commission expires: 2-3-15

PROJECT COMPLETION FORECAST CHART

Enter the Agency projected Initial Decision Date, as published in Rule 68-11-1609(c): May 22, 2013

Assuming the CON approval becomes the final agency action on that date; indicate the number of days **from the above agency decision date** to each phase of the completion forecast.

<u>Phase</u>		DAYS REQUIRED	Anticipated Date (MONTH/YEAR)
1.	Architectural and engineering contract signed	<u>10</u>	<u>June 2013</u>
2.	Department of Health	_____	_____
3.	Construction contract signed	<u>120</u>	<u>September 2013</u>
4.	Building permit secured	<u>140</u>	<u>October 2013</u>
5.	Site preparation completed	<u>200</u>	<u>December 2013</u>
6.	Building construction commenced	<u>240</u>	<u>February 2014</u>
7.	Construction 40% complete	<u>300</u>	<u>April 2014</u>
8.	Construction 80% complete	<u>360</u>	<u>June 2014</u>
9.	Construction 100% complete (approved for occupancy)	<u>420</u>	<u>September 2014</u>
10.	*Issuance of license	<u>460</u>	<u>October 2014</u>
11.	*Initiation of service	<u>460</u>	<u>October 2014</u>
12.	Final Architectural Certification of Payment	<u>460</u>	<u>October 2014</u>
13.	Final Project Report Form (HF0055)	<u>470</u>	<u>November 2014</u>

* For projects that do NOT involve construction or renovation: Please complete items 10 and 11 only.

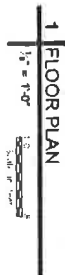
Note: If litigation occurs, the completion forecast will be adjusted at the time of the final determination to reflect the actual issue date.

Libanon 3 1-15-13

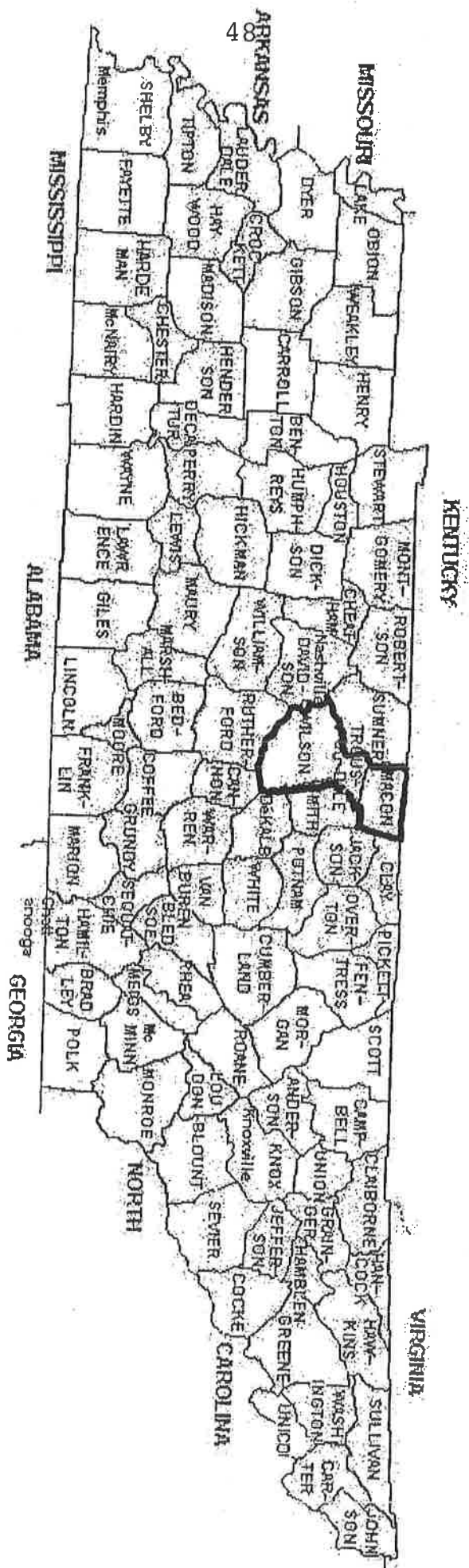
B.III.A. - Plot Plan



B.IV. - Floor Plan



C.3. - Service Area Map



C. Economic Feasibility 1. - Construction Documentation



1614 17th Ave South
 Nashville, TN 37212
 Office 615-277-1178
 Fax 615-277-1179
 www.projxllc.com

February 14, 2013

**RE: New Ambulatory Surgery Center in Lebanon, Tennessee
 For Lebanon Healthcare Partners, LLC
 ProjX Project No. 121004**

To Whom it May Concern:

I am an Architect, licensed in the State of Tennessee. My Architecture License number is 14946.


I designed the attached floor plan for the Ambulatory Surgery Center to be built in Lebanon, Tennessee. Total building size is 9,300 s.f. excluding canopies.

Final construction documents will conform to all codes as listed with the City of Lebanon and the State of Tennessee including:

- 2006 International Building Code
- 2006 International Plumbing Code
- 2006 International Mechanical Code
- 2002 National Electrical Code.
- 2006 International Fire Code
- 2006 International Fuel Gas Code
- 2006 International Existing Building Code
- 2002 North Carolina Handicap Code with 2004 Revisions
- Americans with Disabilities Act (ADA) with 2002 Amendments.
- 2006 Life Safety Code
- 2006 International Energy Conservation Code
- 2006 AIA Guidelines for Design and Construction of Health Care Facilities.
- 2003 ASHRAE Handbook of Fundamentals.

Our estimate of probable cost is \$220 per square foot.

With you in a Spirit of Service,


 Ira A. Chilton, NCARB
 TN Architecture License #14946



CARDIOVASCULAR ANESTHESIOLOGISTS, P.C.

Anesthesia and Intensive Care

NANCY J. DELBOY, M.D.
LAWRENCE W. FREUND, D.O.
PAUL A. MAZZONI, M.D.
J. DAVID NETTERVILLE, M.D.

BRIAN J. POORE, M.D.
KENNETH C. PETRONI, M.D.
ROSCOE V. ROBINSON, M.D.
JESSEE SCRUGGS, M.D.
RICHARD C. TOMICHEK, M.D.

February 13, 2013

Mr. Keith Bolton
Lebanon Healthcare Partners LLC
9206 Concord Road
Brentwood, TN 37027

Dear Mr. Bolton:

Thank you for your continued interest, support, and relationship with Cardiovascular Anesthesiologists, PC. As you know, we have enjoyed our relationship with you at some of your other surgery centers, and we look forward to our continued working relationship with you.

Pursuant to our discussion, CVA looks forward to providing anesthesia services at your new facility in Lebanon, known as Surgery Center of Lebanon. We would anticipate that this relationship would involve providing both MD anesthesiologists as well as CRNA's at that facility.

Please continue to keep us updated on the status of the project, and when we can expect to begin service.

Thank you again for your interest in CVA.

Sincerely,



Paul A. Mazzoni MD

2013 FEB 14 PM 2 55

AFFIDAVIT


STATE OF TENNESSEE

COUNTY OF DAVIDSON

KEITH BOLTON, being first duly sworn, says that he is the applicant named in this application or the lawful agent thereof, that this project will be completed in accordance with the application, that the applicant has read the directions to this application, the Rules of the Health Services and Development Agency and T.C.A. § 68-11-1601, *et seq.*, and that the responses to this application or any other questions deemed appropriate by the Health Services and Development Agency are true and complete.


_____
Signature/Title

Sworn to and subscribed before me this the 14th day of February, 2013, a Notary Public in and for the County of Davidson, State of Tennessee.



NOTARY PUBLIC

My Commission expires 5/5/15



Copy

Supplemental #1

Surgery Center of Lebanon

CN1302-003

February 27, 2013

4:19pm

2013 FEB 27 PM 3 19

February 27, 2013

Mr. Phillip M. Earhart
Health Planner III
Tennessee Health Services and Development Agency
Suite 850
Andrew Jackson Building
Nashville, TN 37219

Via Hand Delivery

Re: Certificate of Need Application CN1302-003
Surgery Center of Lebanon

Dear Mr. Earhart:

Set forth below are the responses of Surgery Center of Lebanon, the applicant in Certificate of Need Application CN1302-003 to the request for information dated February 20, 2013. We have filed these in triplicate, as you directed, along with an affidavit regarding the responses. If you have any questions or need additional information, please advise.

1. Section A, Applicant Profile, Item 4

Please describe the existing or proposed ownership structure of the applicant, including an ownership structure organizational chart. Explain the corporate structure and the manner in which all entities of the ownership structure relate to the applicant. As applicable, identify the members of the ownership entity and each member's percentage of ownership for those members with 5% or more ownership interest. In addition, please document the financial interest of the applicant, and the applicant's parent company/owner in any other health care institution as defined in Tennessee Code Annotated, §68-11-1602 in Tennessee. At a minimum, please provide the name, address, current status of licensure/certification, and percentage of ownership for each health care institution identified.

RESPONSE: An organizational chart for Specialty Surgery Centers of America, Inc. is attached as exhibit A. A manifest for Lebanon Healthcare Partners is also attached. All facilities (except for Lebanon Healthcare Partners) identified are currently licensed by the State of Tennessee and accredited either by AAAHC or JCAHO. The only healthcare institution as defined in this question that SSCA owns equity in currently is the Surgery Center of Columbia, 725 S. James Campbell Blvd., Columbia, TN 38401.

2. Section A, Applicant Profile, Item 5

The draft management agreement is noted. Please indicate the management fee payment methodology and schedule. Please describe the management entity's experience in providing

management services for the type of the proposed facility, which is the same or similar to the applicant facility. Please describe the structure of the management entity.

RESPONSE: Lebanon Healthcare Partners will be managed by Specialty Surgery Centers of America, Inc., a corporation. Management fees are to be paid at a rate of 6% of net (cash) revenues. Specialty Surgery Centers of America has owned and managed ambulatory surgery center for 20 years, including 12 at the Surgery Center of Columbia and 8 at the Clarksville Surgery Center. The executed signature page for the management agreement is attached.

3. Section A, Applicant Profile, Item 6

The draft lease agreement is noted. Please attach a fully executed option to lease agreement or other appropriate documentation. The option to lease agreement must include the actual/anticipated term of the agreement and actual/anticipated lease expense.

RESPONSE: An executed signature page for the lease is attached.

4. Section A, Applicant Profile, Item 8

Please specify under 8.E. purpose for review.

RESPONSE: This will be a new institution, as well as the relocation of a project previously approved by the HSDA. A revised 8.E. page is attached.

5. Section B, Project Description, Item I.

In the previously approved project Surgery Center of Lebanon, CN0906-036A, the applicant indicated many physicians, including those involved in Tennessee Sports Medicine and the Lebanon Endoscopy Center, have moved their practices and their surgical facilities south to the I-40 corridor to provide better access to their patients. It appears the applicant in this application is relocating north of Interstate 40 in Lebanon. Please clarify how this relocation will better meet the needs of patients in terms of access as identified in the previously approved project.

Please describe the type of pain management procedures that will be performed at the proposed ASTC site.

The applicant states specialties to initially be represented in the proposed project includes orthopedics, pain management, ENT, general and plastic surgery. Please complete the following table that breaks out the total number of procedures and physicians that will be assigned to each specialty category.

Specialty	Total Cases In Year One	Estimated # of Staff Physicians
Orthopedics		
Pain Management		

ENT		
General Surgery		
Plastic Surgery		
Other		
Total		

RESPONSE: The applicant has been unable to construct this project at its originally approved site due to the financial difficulties of the developer who was supposed to build the MOB which was to have housed this ASTC originally. The new location as set forth in this application is easily accessible; it is just off U.S. Highway 70 in Lebanon, as well as being in close proximity to I-40 and State Route 840 as shown herein.

Specialty	Total Cases In Year One	Estimated # of Staff Physicians
Orthopedics	1155	5
Pain Management	265	2
ENT	287	2
General Surgery	225	8
Plastic Surgery	95	1
Other	378	4
Total	2,405	14

The applicant to deliver the following types of pain management procedures: radiofrequency discectomies, epidural injections, and facet injections, among other types of procedures.

Please indicate if the applicant plans to add additional surgical specialties to the proposed project in the future. If so, what types?

RESPONSE: The applicant will seek to add gynecology, podiatry, urology after opening if the market demands.

6. Section B, Item II B. (Project Description) (Plot Plan)

Your response is noted. Please identify where the proposed ASTC structure will be located on the plot plan. Please indicate and resubmit.

RESPONSE: The requested documentation is attached hereto.

7. **Section B, Item III B. (1)**

Please indicate the distance of interstate 40 and 840 to the proposed site.

RESPONSE: According to Mapquest.com, this project's site is 3.5 miles from I-40 and 4.5 miles from 840.

8. **Section B. Item IV.**

Please submit a floor plan drawing which includes legible labeling of patient care rooms, ancillary areas, equipment areas, etc. on an 8 ½" x 11" sheet of white paper.

RESPONSE: The requested floor plan is attached.

9. **Section C, Need Item 1**

Please discuss how the proposed project will relate to the "5 Principles for Achieving Better Health found in the State Health Plan."

RESPONSE:

1. *"The purpose of the State Health Plan is to improve the health of Tennesseans."*

RESPONSE: This project will meet the stated goals of this principle. This project will provide convenient, economical ambulatory surgical services to the people of the service area of Wilson, Macon and Trousdale Counties.

2. *"Every citizen should have reasonable access to health care."*

RESPONSE: This project will improve the access to healthcare in the service area. Because it is close to one of the main thoroughfares through the service area, U.S. Highway 70, as well as being quickly available from Interstate 40 and Route 840, this project will assist in insuring that the citizens of the service area have reasonable access to healthcare.

Furthermore, this project will further assist in assuring reasonable access to healthcare because it will serve all enrollees of all three of the TennCare MCOs that serve the people of this service area.

3. *"The state's health care resources should be developed to address the needs of Tennesseans while encouraging competitive markets, economic efficiencies, and the continued development of the state's health care system."*

RESPONSE: This project be efficient in that it provides a newly established ambulatory surgical treatment center that is efficiently designed and that will be competitive in the market for ambulatory surgical services. This will be an independent ambulatory surgical treatment center, not one that is owned by, or related to, any hospital or hospital system.

4. *"Every citizen should have confidence that the quality of health care is continually monitored and standards are adhered to by health care providers."*

RESPONSE: This project will meet the goals of this quality of care principle as set forth above, because it will be managed by an ambulatory surgical treatment center management company that has years of experience in monitoring and assuring that appropriate quality standards are met by the ASTCs that it has managed.

This project will be equitable because it will serve all of the enrollees of the area's three TennCare MCOs, as well as those individuals who have private insurance. It will be patient centered, timely and efficient because it is outpatient oriented and managed by an experienced management company. Its services will be safe and effective because they will be provided by experienced area surgeons whose own professional liability is on the line when they operate in this center.

5. *"The state should support the development, recruitment and retention of a sufficient and quality health care workforce."*

RESPONSE: This project will assist in developing, recruiting and retaining a high quality healthcare workforce. The management company which will manage this project has years of experience in recruitment and retention of a quality healthcare workforce in middle Tennessee, and will apply its experience and skills in this regard in this project.

10. Section C, Need Item 1.b.

Please provide an individual response to each of the following factors:

(4) Applications for Change of Site. When considering a certificate of need application which is limited to a request for a change of site for a proposed new health care institution, the HSDA may consider, in addition to the foregoing factors, the following factors:

- (a) **Need.** The applicant should show the proposed new site will serve the health care needs in the area to be served at least as well as the original site. The applicant should show that there is some significant legal, financial, or practical need to change the proposed new site.

RESPONSE: The applicant asserts that the proposed new site for the establishment of this ASTC project will serve the healthcare needs of the service area at least as well as the original site. It is, as noted above, very convenient to U.S. Highway 70 in Lebanon, Wilson County, as well as being close to Interstate 40 and Route 840. It is necessary for the applicant to change the site for the establishment of this ASTC because of the problems the developer of the proposed former site ran into with financing and carrying out the medical office building project in which this project was originally proposed to be located.

- (b) **Economic factors.** The applicant should show that the proposed new site would be at least as economically beneficial to the population to be served as the original site.

RESPONSE: This project is as economically beneficial to the population to be served as the original site. The applicant will offer its services, just as before, to all enrollees of the three TennCare MCOs in the service area. The easy access of this site to U.S. Highway 70, and its proximity to Interstate 40 as well, will make access to the site very economical for residents of the service area.

- (c) **Contribution to the orderly development of health care facilities and/or services.** The applicant should address any potential delays that would be caused by the proposed change of site, and show that any such delays are outweighed by the benefit that will be gained from the change of site by the population to be served.

RESPONSE: Because the original developer of the site was unable to complete construction of a medical office building which was to house this ASTC as originally proposed, this project will contribute to the orderly development of healthcare facilities in the area. This project, as proposed in this CON application, does not require the construction of a medical office building. It will be housed in a single purpose ASTC building of approximately 9,300 square feet, and it will have adequate parking and access to serve the needs of the service area. It will be much less expensive for the developer to complete than the original project, which required the completion of an MOB in which it was to be housed.

11. Section C, Need Item 1 (Specific Criteria –ASTC Item 3)

Please clarify the distance and driving time the proposed site is from Lebanon (Wilson County), Lafayette (Macon County) and Hartsville (Trousdale) County, TN.

RESPONSE: Per Mapquest.com, Lafayette, in Macon County, is 35 miles from the proposed site of this project. Driving time for these 35 miles is approximately 47 minutes. Hartsville, in Trousdale County, is 21 miles from the project's proposed site in Lebanon, with a driving time of approximately 29 minutes.

12. Section C, Need Item 1 (Specific Criteria –ASTC Item 7)

The projected utilization for the first 8 quarters of the project is noted. Please indicate if the utilization is projected in cases or procedures. If the utilization numbers are procedures, please project utilization in cases.

Please include the specific methodology used to project utilization for the first eight quarters of the proposed project.

RESPONSE: Utilization numbers are in cases. A revised Projected Data Chart is attached.

Please include the specific methodology used to project utilization for the first eight quarters of the proposed project.

These data were developed utilizing the historical experience of the manager in terms of the ramp up of caseload at new ASTCs, taking into account licensure, equipment purchases, managed care contracts, etc.

13. Section C. Item 2

Please indicate if there are any long-range development plans of the applicant beyond establishing an ambulatory surgery treatment center.

RESPONSE: The applicant has no long-range development plans beyond the development of the ASTC.

Does the applicant have in mind a group of anesthesiologists who would be interested and have the capability to provide anesthesia services to the ASTC? If so, please provide a letter of interest from the group which also described their willingness to provide services to TennCare beneficiaries.

RESPONSE: The requested documentation is attached hereto.

14. Section C, Need Item 4 (Service Area Demographics)

Please complete the following table for the service area population and demographics.

Demographic /Geographic Area	Macon County	Wilson County	Trousdale County	Service Area / Macon, Trousdale, Wilson County Total	State of TN Total
Total Population- Current Year -2013					
Total Population- Projected Year -2017					
Total Population-% change					
Age 65 & over Population - 2013					
Age 65 & over Population - 2017					
Age 65 & over Population - % change					
Age 65 & over Population as % of Total Population					
Median Household Income					
TennCare Enrollees					
TennCare Enrollees as % of Total					
Persons Below Poverty Level					

Persons Below Poverty Level as % of Total					
---	--	--	--	--	--

The Tennessee Department of Health's Population Projections 2010-2020 should be used for the population projections, the US Census Bureau and the State of Tennessee Bureau of TennCare websites will be helpful in gathering the other demographic statistics.

RESPONSE:

Demographic /Geographic Area	Macon County	Wilson County	Trousdale County	Service Area / Macon, Trousdale, Wilson County Total	State of TN Total
Total Population-Current Year -2013	23,452	116,150	8,359	147,961	6,414,297
Total Population-Projected Year -2017	24,408	122,658	8,090	155,756	6,623,114
Total Population-% change	4.04%	5.6%	3.96%	5.3%	3.25%
Age 65 & over Population - 2013	2,867	14,229	1,274	18,370	881,390
Age 65 & over Population - 2017	2,703	16,548	1,437	20,688	1,015,339
Age 65 & over Population - % change	6.1%	16.3%	12.83%	12.6%	15.2%
Age 65 & over Population as % of Total Population	14.3%	12.62%	13.8%	12.4%	13.7%
Median Household Income	34,474	61,400	44,163	not known	\$43,939
TennCare Enrollees	5,865	14,294	1,651	21,349	1,213,475
TennCare Enrollees as % of Total	24.7%	12%	19.5%	14%	18.8%
Persons Below Poverty Level	8,184	9,872	1,245	19,301	1,084,016
Persons Below Poverty Level as % of Total	23.9%	8.5%	14.9%	13%	16.9%

15. Section C, Need Item 5

Please complete the following chart.

Provider	2009		2010		2011	
	# OR's	Cases	# OR's	Cases	# OR's	Cases
ASTC's						
Lebanon Endoscopy Ctr.						
Wilson County Eye Surgery Ctr.						

Lebanon Surgical Center						
Hospitals						
Macon Co. Gen Hospital						
Input Cases						
Output Cases						
University Med. Ctr.						
Inpt Cases						
Outpt Cases						
Trousdale Medical Center						
Inpt Cases						
Outpt Cases						
Total ORs available for Outpt Surgery						
Total Cases						
Total Outpt Cases						

RESPONSE:

Provider	2009		2010		2011	
	# ORs	Procs	# OR's	Procs	# ORs	Procs
ASTCs						
Lebanon Endoscopy Ctr.	2 procs	2,827 procs	2 procs	3,302 procs	2 procs	2,767 procs
Wilson County Eye Surgery Ctr.	1 proc	3,396 procs	1 OR + 1 proc	5,429 procs	1 OR + 1 proc	1,873 procs
Lebanon Surgical Center	1 proc + 1 OR	501 procs	1 proc + 1 OR	199 procs	1 OR + 1 proc	97 procs
Hospitals						
Macon Co. Gen Hospital	IIP + IOP		IIP + IOP		IOP + IIP	
Inpt Procs		0		14 procs		35 procs
Outpt Procs		253 procs		352 procs		733 procs
University Med. Ctr.			4IP + 4OP		4IP + 4OP	
Inpt Procs		2,684		2,596 procs		2,435 procs
Outpt Procs		5,287		5,646 procs		5,570 procs
Trousdale Medical Center	IIP + IOP		IIP + IOP		0	
Inpt Procs		138 procs		19 procs		0
Outpt Procs		167 procs		22 procs		0
Total ORs available for Outpt Surgery OP & Proc	12		12		11	
Total Procs		15,253		17,579		13,510
Total Outpt Procs		12,431		14,768		11,040

16. Section C. Economic Feasibility Item 1 (Project Cost Chart)

The documentation from a health care experienced licensed architect, engineer, and/or health care facility contractor is noted. Please revise the provided documentation to reflect the proposed ASTC will conform to more recent 2010 AIA Guidelines for Design and Construction of Health Care Facilities.

The following definition regarding leased property cost in Tennessee Health Services and Development Agency Rule 0720-9-.01 (c) states "In calculating the value of a lease, the "cost" is the fair market value of the leased item or the total amount of the lease payment, whichever is greater." Please provide documentation of the fair market value of the premises leased and the calculation of the total amount of the lease payment over the five-year period.

Please provide a listing of the equipment which will cost over \$50,000 per item.

RESPONSE: The requested architectural documentation is attached. The Applicant expects to acquire a single C-arm for \$150,000 and two OR video towers with scopes for \$65,000 each.

The rule cited in this Request does not exist. Instead, Rule 0720-9.01(4)(c) states as follows:

(c) Lease, loan origin in calculating the value of a lease, loan, or gift, the "cost" is the fair market value of the above-described expenditures. In the case of a lease, the costs are the fair market value of the lease or the total amount of the lease payment whichever is greater. (Emphasis added.)

The "fair market value" of the lease at issue in this Certificate of Need must be the fair market value of the lease payments made thereunder.

To obtain the fair market value of lease payments made for five years in the future, those future payments must be discounted to present value. Thus, the actual payments made under the lease must exceed the net present value of those future payments today. The Certificate of Need application listed the total of lease payments made for the Projected Costs Chart.

17. Section C. Economic Feasibility Item 2

The applicant intends to fund the proposed project with a commercial loan. Please provide a letter from a lending institution or guarantor stating favorable initial contact, proposed loan amount, expected interest rates, and anticipated term of the loan, and any restrictions or conditions.

RESPONSE: The requested potential loan documentation is attached.

18. Section C, Economic Feasibility, Item 3

Please compare this project's cost per square foot to cost per square foot ranges of previously approved ASTC projects found in the "Applicant's Toolbox" on the HSDA website (www.tn.gov/hsda) or provide specific examples supporting the reasonableness of proposed project costs.

RESPONSE: Previously approved new ASTCs have run a median cost per square foot at \$252 and a first quartile cost of \$200 per square foot. The last projects completed by the applicant ran between \$200 and \$212 per square foot. The projected costs of \$220 per square foot, given that the plot is level, are appropriate given the cost of other similar projects. The applicant in CON application CN1204-019 reported costs per square foot of \$290 (Southern Sports Surgery Center). Similarly, Maury Regional Ambulatory Surgery Center's CON application, CN1111-046, projected costs of \$224 per square foot.

19. Section C, Economic Feasibility, Item 4

Please indicate the utilization data (specific unit of measure) on the Projected Data Chart in procedures and cases.

RESPONSE: The projected data chart utilization was set forth in cases. A corrected Projected Data Chart is attached.

20. Section C, Economic Feasibility, Item 5

Please identify the project's average gross charge, average deduction from operating revenue and average net charge.

RESPONSE: The requested data are set forth below:

Average Gross Charge:	\$3,810
Average Contractual Adjustment per case:	\$2,686
Average Net Revenue per case:	\$1,124

21. Section C, Economic Feasibility, Item 6 A. and 6.B

The projected charges for the anticipated top five procedures in noted. Please provide the proposed charge schedules for the proposal.

RESPONSE: In 2009, Medicare set ambulatory surgery center reimbursement at 57% of hospital reimbursement for all cases.

The applicant states Medicare reimbursement for procedures performed at free-standing ASTC's are more than 40% lower than reimbursement for the same procedures in hospitals. Please provide specific examples relative to the proposed project that supports this statement.

RESPONSE: Gross charge, contractual and Medicare reimbursement for top five procedures are currently projected to be as follows:

CPT	Description	Applicant's Proposed Charge	Contractual	Medicare Allowable
29866	Knee Arthroscopy	\$5305	\$4244	\$1061
69436	Ear Tubes	3020	2416	604
42826	Tonsil Age >12	4455	3564	891
29806	Shoulder Arthroscopy	3890	3112	778
58671	Lap Tubal	8590	6872	1718

Please compare proposed charges to recently approved HSDA projects such as Southern Sports Surgery Center (CN1204-019A) and Maury Regional Ambulatory Surgery Center, LLC (CN1111-046A).

RESPONSE: Maury Regional ASC's CON application, CN1111-046A, projected (p.16) an average gross charge of \$4,500 with an average deduction of \$3,262, for an average net charge of \$1,237.

Southern Sports Surgery Center's CON application, CN1204-019, projected an average gross charge for surgery of \$5,600, with an average deduction of \$3,434, for an average net charge of \$1,766 for surgical cases.

22. Section C. Economic Feasibility, Item 8

Please describe the access to the mentioned revolving credit line and an equipment term loan the applicant mentions could be used on a worst case basis to continue to fund possible losses within the first two years of the proposed project.

RESPONSE: The applicant intends to have a \$250,000 revolving line of credit available to the company to fund any losses or unanticipated problems during the development, opening, and operation of the Surgery Center of Lebanon.

23. Section C. Economic Feasibility, Item 9

Please identify the three TennCare MCOs the applicant anticipates to contract with.

RESPONSE: The applicant anticipates contracting with the three TennCare MCOs who serve Middle Tennessee: Amerigroup, United Healthcare, and Blue Cross/TennCare Select

The anticipated TennCare and Medicare revenue percentages do not correspond to the Projected Data Chart Gross revenue projections. Please recalculate and resubmit a replacement page if necessary.

RESPONSE: The anticipated TennCare and Medicare revenue percentage as components of gross charges total as follows: Medicare charges equal to \$1,535,937 and projected TennCare charges equal approximately \$658,259. These figures are for the first year of the operations.

The application pages are correct as to percentages of utilization and year actual projections from Medicare and Medicaid.

24. Section C. Economic Feasibility, Item 10

Please provide financial information such as copies of balance sheets and income statements from the most recent reporting period for the corporation, partnership, or principal parties involved with the proposed project.

RESPONSE: Lebanon Healthcare Partners LLC has not begun operations yet and has no income. As of February 25, 2013, the balance sheet of LHP is as follows:

<u>Assets</u>		<u>Liabilities</u>
Cash	\$19,947	-0-
Certificate of Need	\$99,973	

The applicant indicated in the project Surgery Center of Lebanon CN0906-036, Specialty Surgery Centers of America, Inc. will have an ownership of 20% following CON approval. If so, please provide the above mentioned financial documents for that entity.

RESPONSE: Specialty Surgery Centers of America, Inc.'s organizational structure is attached. SSCA's balance sheet only shows the investment cost in each of the entities that it has investments in and does not show a market value of the entities. SSCA has no debt, had income for its owners in excess of \$250,000 last year, and has enough liquidity to fund the entire project itself.

25. Section C. Orderly Development, Item 9 and 10

The applicant has responded "not applicable" to questions 9 and 10. Please indicate the applicant has researched the elements of these two questions relative to any entities or person with more than 5% ownership interest in the applicant or professional licenses held by the applicant. Please respond and submit a replacement page.

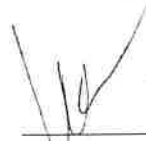
RESPONSE: Specialty Surgery Centers of America, Inc. and its affiliated entities have not had any of the negative actions described in questions 9 and 10 taken against them. The same is true of all other investors in the Lebanon Surgery Center. The other investors will all be physicians with hospital privileges. The screening mechanism for physician ownership in the Lebanon Surgery Center will further supplement the effect of hospital credentialing. The requested replacement page is attached.

Mr. Phillip M. Earhart
February 27, 2013

67

SUPPLEMENTAL- # 1
February 27, 2013
4:19pm

Sincerely,



Keith Bolton

Contact Person for Certificate of Need
Application CN1302-003
Surgery Center of Lebanon

Attachments



SUPPLEMENTAL- # 1
 1614 17th Ave. South
 Nashville, TN 37212
 Office 615-277-1178
 Fax 615-277-1179
 www.projxllc.com

February 27, 2013
4:19pm

February 19, 2013

RE: New Ambulatory Surgery Center in Lebanon, Tennessee
For Lebanon Healthcare Partners, LLC
ProjX Project No. 121004

To Whom it May Concern:

I am an Architect, licensed in the State of Tennessee. My Architecture License number is 14946.

I designed the attached floor plan for the Ambulatory Surgery Center to be built in Lebanon, Tennessee. Total building size is 9,300 s.f. excluding canopies.

Final construction documents will conform to all codes as listed with the City of Lebanon and the State of Tennessee including:

- 2006 International Building Code
- 2006 International Plumbing Code
- 2006 International Mechanical Code
- 2002 National Electrical Code.
- 2006 International Fire Code
- 2006 International Fuel Gas Code
- 2006 International Existing Building Code
- 2002 North Carolina Handicap Code with 2004 Revisions
- Americans with Disabilities Act (ADA) with 2002 Amendments.
- 2006 Life Safety Code
- 2006 International Energy Conservation Code
- 2010 AIA Guidelines for Design and Construction of Health Care Facilities.
- 2003 ASHRAE Handbook of Fundamentals.

Our estimate of probable cost is \$220 per square foot.

With you in a Spirit of Service,

A handwritten signature in dark ink, appearing to read "Ira A. Chilton".

Ira A. Chilton, NCARB
 TN Architecture License #14946



FIRST FARMERS

Lebanon Healthcare Partners

Term Sheet

February 6, 2013

Borrower:	Lebanon Healthcare Partners
Guarantors:	All owners at 125% of their pro-rata % ownership
Credit Facility:	(A) \$1,125,000 Equipment and Furniture Line and Term Financing
	(B) \$ 350,000 working capital Line
Collateral:	(A) 1 st Lien on all equipment and furniture
	(B) 1 st Lien on Account Receivable and Inventory
Terms:	(A) 6 months interest only converting to a 7 year Amortization of principle and interest monthly
	(B) 75% advance against approved accounts receivables And 50% advance against inventory. Line to be approved Annually
Rate:	(A) 4.5% fixed
	(B) Prime + 1%
Commitment Fee:	1% on each facility
Prepayment Penalty:	1% if refinanced by another financial institution
Covenants:	Annual financial information as requested by Bank from Borrower and guarantors. Monthly A/R aging, inventory Listing, and borrowing base certificates. DSC of 1.1X for Year one and 1.25X thereafter. All collateral is cross-Pledged and cross-defaulted
Closing Cost:	Paid by Borrower

This is not a commitment to lend money. All terms and conditions are subject to change and credit approval. This term sheet is for discussion purposes only.

2-26-13

C. H. Foran
Williamson County President
for Richard S. (Dick) Sevier

February 27, 2013

4:19pm

AFFIDAVIT

2013 FEB 27 PM 3 20

STATE OF TENNESSEE

COUNTY OF DAVIDSON

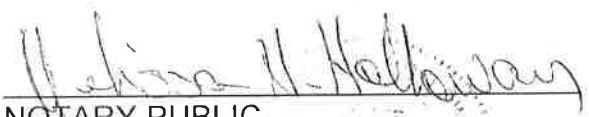
NAME OF FACILITY: Surgery Center of Lebanon

I, KEITH BOLTON, after first being duly sworn, state under oath that I am the applicant named in this Certificate of Need application or the lawful agent thereof, that I have reviewed all of the supplemental information submitted herewith, and that it is true, accurate, and complete.



Signature/Title

Sworn to and subscribed before me, a Notary Public, this the 27th day of February, 2013, witness my hand at office in the County of Davidson, State of Tennessee.



NOTARY PUBLIC

My commission expires:

5/5/15

Copy

**Additional Information for
Supplemental #1**

Surgery Center of Lebanon

CN1302-003

February 28, 2013
4:27pm

2013 FEB 28 PM 4 27

February 28, 2013

Mr. Phillip M. Earhart
Health Planner III
Tennessee Health Services and Development Agency
111 Rosa L. Parks Boulevard
Nashville, TN 37219

Via Hand Delivery

Re: Additional Supplemental Information Requests regarding Certificate of Need
Application CN1302-003 - Surgery Center of Lebanon

Dear Mr. Earhart:

Today, you raised with us two additional issues for which you seek additional information regarding your request for supplemental information in No. 20 and request for supplemental information No. 23.

With regard to No. 20, we have recalculated the average gross charge, average deduction and average net revenue per case, based on your comments. The correct figures are as set forth below:

Average Gross Charge:	\$1,825
Average Contractual Adjustment per case:	\$ 617
Average Net Revenue per case:	\$1,208

With regard to the question you raised as to request for supplemental information No. 23, we clarify our original response as follows. The references we made in the application in response to item 9, Section C, Economic Feasibility, was that our anticipated utilization of Medicare would be 35% of all patient visits, but 19% of actual total revenue in the first year can be explained. The reference to 35% is that the Surgery Center of Lebanon anticipates that 35% of its patients will be Medicare patients. However, the reference to "19% of total actual revenue in the first year" refers to the applicant's expectation that 19% of its "net operating revenue" as set forth on the Projected Data Chart will be approximately \$552,105. It is this amount of actual net operating revenue that the applicant projects will be attributable to Medicare. In our responses to your request for supplemental information on this issue, we were responding to a question regarding what amount of Lebanon Surgery Center's gross revenue would be anticipated to be Medicare revenue. That figure in our supplemental response is given as \$1,535,927, but the correct figure is \$1,535,937. The same is true in our supplemental response regarding TennCare projected amount of gross charges. Those are accurately set forth in our supplemental response as \$658,259. As noted, these figures are the anticipated figures for actual net operating revenues from these payors in the first year of operations.

Mr. Phillip M. Earhart
February 28, 2013

73

SUPPLEMENTAL- # 1
February 28, 2013
4:27pm

If you have any additional questions, please advise. I have attached an affidavit with this letter.

Sincerely,



Keith Bolton

Contact Person for Certificate of Need
Application CN1302-003
Surgery Center of Lebanon

Attachment

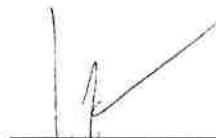
AFFIDAVIT

STATE OF TENNESSEE

COUNTY OF DAVIDSON

NAME OF FACILITY: Surgery Center of Lebanon

I, KEITH BOLTON, after first being duly sworn, state under oath that I am the applicant named in this Certificate of Need application or the lawful agent thereof, that I have reviewed all of the supplemental information submitted herewith, and that it is true, accurate, and complete.



Signature/Title

Sworn to and subscribed before me, a Notary Public, this the 28th day of February, 2013, witness my hand at office in the County of Davidson, State of Tennessee.



NOTARY PUBLIC

My commission expires:

5/5/15

KRAMER RAYSON LLP
ATTORNEYS AT LAW

JOHN T. JOHNSON, JR.
WARREN L. GOOCH
WAYNE R. KRAMER
EDWARD G. PHILLIPS
THOMAS M. HALE
JACKSON G. KRAMER
BEECHER A. BARTLETT, JR.
ROBERT W. KNOLTON
JOHN C. BURGIN, JR.
CHARLES M. FINN
ROBERT A. CRAWFORD
JOHN E. WINTERS
ROBERT L. BOWMAN
STEVEN E. KRAMER
SHANNON COLEMAN EGLE
KATE E. TUCKER
BETSY J. BECK
WILLIAM J. CARVER
GEORGE R. ARRANTS, JR.
J. MATTHEW BROTHERTON
ADAM G. RUSSELL
BRANDON L. MORROW

POST OFFICE BOX 649
KNOXVILLE, TENNESSEE 37901-0629
FOUNDED 1948

OF COUNSEL
E. H. RAYSON
DONELSON M. LEAKE
HUGH W. MORGAN
G. WILSON HORDE

OFFICES
FIRST TENNESSEE PLAZA, SUITE 2500
800 SOUTH GAY STREET
KNOXVILLE, TENNESSEE 37929
TELEPHONE 865 525-5134
TELECOPIER 865 522-5723

105 DONNER DRIVE, SUITE A
OAK RIDGE, TENNESSEE 37830
TELEPHONE 865 220-5134
TELECOPIER 865 220-5132

R.R. KRAMER (1888-1966)

May 3, 2013

Ms. Melanie Hill, Executive Director
Health Services and Development Agency
Frost Building, 3rd Floor
161 Rosa L. Parks Boulevard
Nashville, Tennessee 37243

Re: Hendersonville Medical Center
Certificate of Need Application CN1302-002

Dear Ms. Hill:

This letter of opposition is submitted on behalf of our client, Baptist Hospital ("Baptist"), to the request by Hendersonville Medical Center to establish a six bed neonatal intensive care unit ("NICU"), which is included in the above-referenced certificate of need application. Baptist does not oppose the other two components of the project.

The services currently provided by Baptist, Vanderbilt University Medical Center, and Centennial Medical Center, the flagship facility of HCA's TriStar division, are more than sufficient to meet the need for neonatal nursery services in the proposed service area. The request to establish a new NICU unit is also inconsistent with the orderly development of health care because it seeks to add capacity to a service area where high quality and conveniently accessible services are readily available.

Accordingly, the request to initiate NICU services fails to meet the statutory criteria, and Baptist respectfully requests that it be denied.

Sincerely,

Warren L. Gooch

WLG:dt

cc: John Wellborn
Jerry Taylor, Esq.
Renee Kessler, Chief Operating Officer, Baptist Hospital
Deborah Bouressa, Director of Nursing, Baptist Hospital
Barbara Houchin, Executive Director, Planning, Saint Thomas Health

**CERTIFICATE OF NEED
REVIEWED BY THE DEPARTMENT OF HEALTH
DIVISION OF POLICY, PLANNING AND ASSESSMENT
OFFICE OF HEALTH STATISTICS
615-741-1954**

DATE: March 29, 2013

APPLICANT: Surgery Center of Lebanon
Unaddressed Site, East Side of Blair Lane & Hwy 70
Lebanon, Tennessee

CON: CN#1302-002

COST: \$2,300,000

In accordance with Section 68-11-1608(a) of the Tennessee Health Services and Planning Act of 2002, the Tennessee Department of Health, Division of Health Statistics, reviewed this certificate of need application for financial impact, TennCare participation, compliance with *Tennessee's Health: Guidelines for Growth, 2000 Edition (2010 Revised)* and verified certain data. Additional clarification or comment relative to the application is provided, as applicable, under the heading "Note to Agency Members."

SUMMARY:

The applicant, Surgery Center of Lebanon, owned by Lebanon Healthcare Partners, LLC and managed by Specialty Surgery Centers of America, Inc. seeks Certificate of Need (CON) approval for the relocation of a previously approved but unimplemented CON for a multi-specialty ambulatory surgical treatment center. The previously approved Certificate of Need CN0906036A will be relocated from its original approved site at 101 Physicians Way in Lebanon, Tennessee to a new unaddressed site located on the east side of Blair Lane in Lebanon, Tennessee.

GENERAL CRITERIA FOR CERTIFICATE OF NEED

The applicant responded to all of the general criteria for Certificate of Need as set forth in the document *Tennessee's Health: Guidelines for Growth, 2000 Edition (2010 Revised)*.

NEED:

The following chart illustrates the applicant's service area total population projections for 2013 and 2017.

Service Area Total Population Projections for 2013 and 2017

County	2013 Population	2017 Population	% Increase/ (Decrease)
Marshall	31,287	32,613	4.2%
Maury	85,130	89,015	4.6%
Williamson	188,259	203,870	8.3%
Total	304,676	325,498	6.8%

Source: *Tennessee Population Projections 2000-2020, February 2008 Revision*, Tennessee Department of Health, Division of Policy, Planning and Assessment-Office of Health Statistics

The applicant's service area and the need for the project remains the same as in the previously approved Certificate of Need application CN0906-036A.

Note to Agency Members: The applicant provided a table listing all ASTCs in the service area and their utilization based upon the 2011 Joint Annual Reports. The Health Services and Development Agency and the Division of Policy, Planning and Assessment, Office of Health Statistics determined the 2011 JARs did not initially include the JAR submitted by Providence Surgery Center (formerly Tennessee Sports Medicine Surgery Center). The Public Access JAR database has been updated and now includes the JARs for this provider.

TENNCARE/MEDICARE ACCESS:

The proposed ambulatory surgical treatment center will seek Medicare and TennCare certification. The three (3) TennCare Managed Care Organizations (MCOs) within the designated service area are AmeriGroup, United Healthcare and TennCare Select. It is noted that all physicians associated with this project are currently under contract to each of these plans. The management company for this project, Specialty Surgery Centers of America, Inc., currently contracts with all of these MCOs and plans, as the applicant states on page 4 Section A, Item 13 of the CON Application, to "piggyback" this surgery center onto its other MCO contracts.

ECONOMIC FACTORS/FINANCIAL FEASIBILITY:

The Department of Health, Division of Policy, Planning and Assessment-Office of Health Statistics has reviewed the Project Costs Chart, the Historical Data Chart (when applicable) and the Projected Data Chart and has determined they are mathematically accurate and the projections based upon the applicant's anticipated level of utilization are mathematically accurate. The location of these charts may be found in the following specific locations in the Certificate of Need Application or in the Supplemental material:

Project Costs Chart: Section C, Item 6, Page 17 of the CON Application

Historical Data Chart: No Historical Data Chart is required for a new start-up

Projected Data Chart: Section C, Item 8, Page 21 of the CON Application and found also in Section C, Item 8, Page 21 in Supplemental 1. They are identical.

The applicant projects and average gross charge of \$1,825, with an average deduction of \$617, resulting in an average net charge of \$1,208.

The Surgery Center of Lebanon expects 19% or \$552,105 of its net revenue will be from Medicare and 10.1% of its net revenue or \$293,500 will be from TennCare.

CONTRIBUTION TO THE ORDERLY DEVELOPMENT OF HEALTHCARE:

The applicant notes all of the physicians that are involved in this project are currently on staff at University Medical Center in Lebanon. A transfer agreement, arrangements for laboratory services and use of hospital equipment would be negotiated with University Medical Center. A list of the anticipated contracts with managed care organizations can be found in the CON Application, Section C, Contribution to the Orderly Development of Healthcare, Item 1.

The need for this project originally approved by the Health Services and Development Agency as CN0906-036A is due to the following factors:

- There is a need for 3 to 5 operating rooms within the designated service area;
- The population of the service area according to the Tennessee Department of Health, Division of Policy, Planning and Assessment-Office of Health Statistics will increase from 304,676 in 2013 to 325,498 in 2017 or 6.8%;
- The new ambulatory surgical treatment center, per the applicant, will provide an alternative to higher cost inpatient based surgical services. As noted in the response to Item 2 on Page 24 of the CON Application, the new ASTC will charge less than an inpatient ASTC and also will be reimbursed at a lower rate reducing the costs for government payers, insurance payers and patients;
- The new ASTC will improve patient accessibility and the design of the facility will provide greater capacity for surgical services and potentially allow for enhanced patient scheduling; and
- The site replaces the previously approved site in CN0906-036A.

The staffing pattern is described in Section C. III, Page 25, Item 3 of the CON Application. The total number of FTEs will be 18 initially and the applicant does not anticipate having any difficulty in filling these positions.

Surgery Center of Lebanon, if this CON is approved, will apply for licensure from the Tennessee Department of Health, certification from Medicare and TennCare and accreditation with the Accreditation Association for Ambulatory Healthcare (AAAHC).

SPECIFIC CRITERIA FOR CERTIFICATE OF NEED

The applicant responded to all relevant specific criteria for Certificate of Need as set forth in the document *Tennessee's Health: Guidelines for Growth, 2000 Edition (2010 Revision)*.

The Department of Health, Division of Policy, Planning and Assessment-Office of Health Statistics will provide responses to Specific Criteria for Certificate of Need that address utilization, need, bed data and other information maintained by the Department of Health. The narrative responses of the applicant will not be repeated but can be found in the Certificate of Need Application and such Supplemental material as provided by the applicant to the Health Services and Development Agency.

Applications for Change of Site

When considering a certificate of need application, which is limited to a request for a change of site for a proposed new health care institution, the Commission may consider, in addition to the foregoing factors, the following factors:

- (a) *Need. The applicant pursued a new site for the previously approved project CN0906-036A due to the inability of a third party developer to construct the planned medical office building (MOB). The current CON Application identifies a new site that would serve the service area needs in a manner consistent with that of the original site;*
- (b) *Economic factors. The proposed new site will be certified for Medicare and TennCare and will contract with a multitude of managed care organizations to ensure a balanced revenue stream for the project; and*
- (c) *Contribution to the orderly development of health care facilities and/or services. The applicant addresses the need for this CON Application in Item (a) above. Based on a review of the Project Completion Forecast found on Page 28 of the CON Application the timetable appears reasonable and service would be initiated in October, 2014.*

BASS

BERRY • SIMS[®]

150 Third Avenue South, Suite 2800
Nashville, TN 37201
(615) 742-6200

2013 MAY -5 PM 3:38

J. Richard Lodge

PHONE: (615) 742-6254
FAX: (615) 742-2754
E-MAIL: dlodge@bassberry.com

May 6, 2013

BY HAND DELIVERY

Ms. Melanie Hill, Executive Director
Health Services & Development Agency
161 Rosa L. Parks Boulevard
Nashville, TN 37243

**Re: Lebanon Healthcare Partners d/b/a Surgery Center of Lebanon
CON Application No. CN1302-003**

Dear Ms. Hill:

On behalf of our client Lebanon HMA, LLC d/b/a University Medical Center ("UMC"), I write to advise you of its opposition to the Certificate of Need application filed by Lebanon Healthcare Partners, LLC, No. CN1302-003 ("LHCP"), to relocate an unimplemented certificate of need for a multispecialty surgery center from 101 Physicians Way ("Original Site") to 1629 W. Main Street ("Proposed Site"). See Map on Exhibit A. The application is scheduled to be heard at the Agency's May 22nd meeting. For the reasons set forth below, we respectfully request that LHCP's application be denied.

UMC is a Joint Commission approved, 245-bed, two-campus hospital located in Lebanon, Tennessee. As part of UMC's commitment to providing comprehensive care to the patients of Wilson County and the surrounding service area, UMC offers a full-range of services, including outpatient surgical services. Currently, UMC has eight operating rooms located on its main campus at 1411 W. Baddour Parkway in Lebanon. Additionally, UMC offers outpatient surgical services at its freestanding multispecialty surgery center – the University Surgical Center. In total, UMC has nine operating rooms, all of which support outpatient surgical cases. Because this proposed project fails to establish need, economic feasibility and the contribution to the orderly development of healthcare, this Application should fail. If granted, this project would have an immediate negative impact on existing healthcare providers such as UMC.

As a threshold issue, however, UMC is a syndicated hospital. Prior to purchasing an ownership interest in UMC, each physician-owner agreed to the terms of the UMC Operating Agreement. Section 11.07 of the UMC Operating Agreement prohibits each physician owner from engaging, "directly or indirectly, in any activity that competes with the Business" [UMC] within a 25-mile radius for one year after the ownership interest ceases. Thus, to the extent that any of LHCP's physician members, officers, directors, etc. also owns units in UMC, they are bound by a legally enforceable covenant not-to-compete that, by its terms, is an absolute legal impediment to their ability to develop, own or operate a multispecialty surgery center at the

location designated in the application. Although the applicant did not list the current membership interest of LHCP in its most recent application, as of 2009, the following were listed as members of LHCP: Roy Terry, MD; Stephen Neely, MD; John Tate, MD; Damon Petty, MD and Dwayne Lett, MD. Of these physicians, Drs. Tate, Lett and Petty all have ownership interests in UMC.

Aside from the covenant-not-to-compete, UMC opposes this Application because it will duplicate existing services and adversely impact the existing health care delivery system in the service area. As can be seen from the map attached as *Exhibit A*, the Proposed Site of the LHCP surgery center is less than one-mile from UMC and UMC's freestanding multispecialty surgery center – the University Surgical Center. The proposed relocation fundamentally changes the nature LHCP's unimplemented project. For example, throughout its 2009 Certificate of Need Application (CN0906-036), LHCP relied upon and reiterated the importance of the location of the Original Site:

With the shift of the business district for Lebanon, the physicians identified a site that will provide convenient access to all patients in the service area, in a medical office building (MOB) to be built on Physicians Way, near I-40 and South Hartman Drive. The orthopaedic surgeons will also be relocating their practice to this MOB, allowing patients even better access to necessary outpatient surgical services. The physicians have talked to the hospital about participating in this venture and will continue to do so. The project before you has been identified as the best option for the physicians and their patients. The proposed location of this project is the most convenient for both the physicians and their patients.

(emphasis added) *See p. 25 of CN0906-036; See also p. 4 of CN0906-036.*

Rather than relocating to an MOB that will be shared with orthopaedic surgeons, the applicant seeks to relocate over four miles north of the Original Site to a location that is less than one-mile from UMC and its surgery center. This proposed new location would position LHCP to be a direct, immediate competitor of UMC for UMC's current patients. Further, the University Surgical Center does not currently operate at the 80% capacity threshold set out in the *Guidelines for Growth*. Specifically, in calendar year 2011, the University Surgical Center utilized less than 10% of its surgery capacity.

In addition, in its application, LHCP estimates 2,405 cases in Year 1 with 14 estimated staff physicians. These physicians will undoubtedly include a number of physicians currently utilizing UMC for outpatient surgical services. In fact, LHCP proposes to offer the same specialties that are currently available at UMC. The administrators at UMC continue to work closely with the physicians and patients to accommodate scheduling needs. UMC is especially well equipped to do this since the opening of its state-of-the-art outpatient surgical department in 2011. Stated differently, UMC has ample existing capacity to serve the local patient population. A new ambulatory surgery center, therefore, is not needed in this area and threatens to have a negative impact on UMC, the only hospital in its five-county service area.

Ms. Melanie Hill, Executive Director
May 6, 2013
Page 3

Over and above the lack of need, the proposed relocation will not contribute to the orderly development of healthcare services. As noted, LHCP is moving *away* from the area it described as "the most convenient for both the physicians and their patients" and moving closer to a facility with existing capacity. This makes no practical sense except to move the surgery center closer to UMC, a move that will result in a duplication of services. Given the significant investment that UMC has already made in order to provide Wilson County and the other four counties of its service area with these services, UMC should not be asked to assume more risk and additional financial burden.

Finally, LHCP has failed to establish that this project is economically feasible. Approval to establish a multispecialty surgery center was first granted to the Applicant in April 2010. Although the Applicant has had over three years to secure financing and establish its new ASC, it has failed to do so. To explain this lack of action, LHCP points to the developer. The reality is that LHCP is again asking for permission to relocate and establish a largely unfunded, physician-driven project. Although LHCP states that it currently has \$119,920 in assets, of that only \$19,947 is cash. The remaining \$99,973 is the assigned value of the Certificate of Need. Because of the non-transferability of a Certificate of Need, however, the real value is \$0. Thus, LHCP asks for approval of this CON to move a three-year old project that will cost in excess of \$2.2 million that has not been able to secure financing for three years on the basis of less than a \$20,000 bank account.

For all of these reasons, UMC respectfully requests that LHCP's CON Application No. CN1302-003 be denied. Thank you for your attention in this matter. We look forward to discussing this matter further on May 22. Please do not hesitate to contact me with any questions.

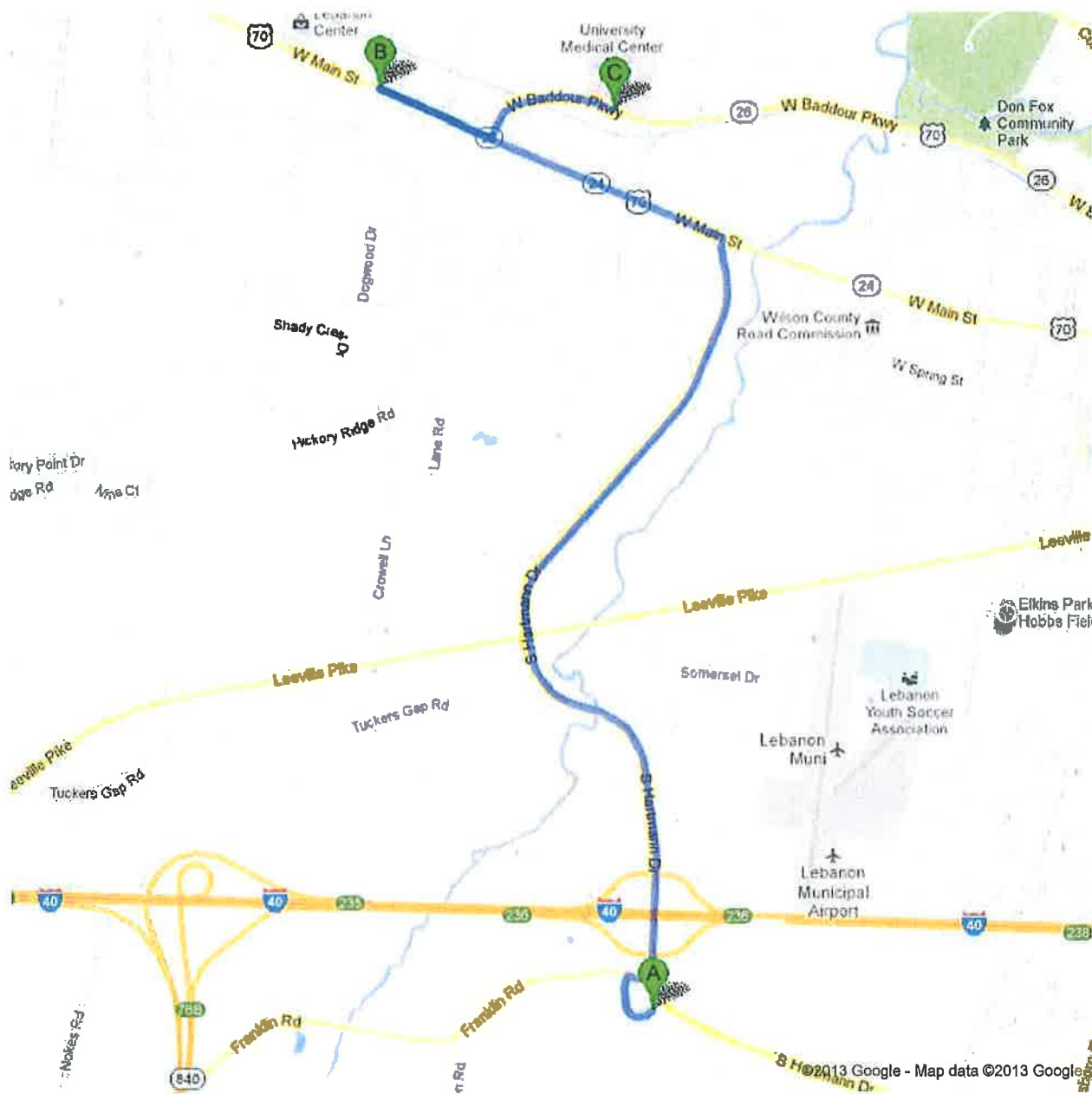
Sincerely,



Richard Lodge

JRL:lmg

C = University Medical Center



https://maps.google.com/maps?f=d&source=s_d&saddr=101+Physician's+Way,+Lebanon,+... 5/3/2013